

# productivity bargaining

---

Ken Jones, John Golding

fabian research series 257 4s6d



# fabian research series 257

## productivity bargaining

contents		foreword	1
	1	introduction	2
	2	agreements in practice	7
	3	problems encountered	22
	4	conclusion	27
appendix	1	major agreements and related developments since 1960	30
	2	extracts from agreements	34
	3	the Dunlop and Esso agreements	37
bibliography			39

*With love from Ken  
x x x*

this pamphlet, like all publications of the Fabian Society, represents not the collective view of the Society but only the view of the individuals who prepared it. The responsibility of the Society is limited to approving the publications which it issues as worthy of consideration within the Labour movement. Fabian Society, 11 Dartmouth Street, London SW1.  
November 1966



# foreword

## By Charles Smith, General Secretary of the Post Office Engineering Union and Chairman of the Fabian Society's Trade Union group

Productivity bargaining is an essential part of an incomes policy: it is indeed essential to any increase in the pace of industrial progress in Britain. It is hard to see how without the application of its principles we are to break many of the deadlocks which have made relations in a number of industries frustrated and sterile.

But these productivity bargains, in everyone's interest, must not be sham ones. Genuine productivity bargaining is well worth while, but it is not easy to achieve.

A variety of forces seem to have stimulated managements to embark on productivity bargaining. Sometimes the impetus has come from international comparison of labour productivity in the same company, sometimes from the intensity of competition, sometimes from the rapidity of labour turnover and sometimes from a consciousness of an ever growing dependence on policy overtime.

Two features which arise in many bargains deserve special emphasis. The first is the use of consultants who, coming from outside the concern and winning the confidence of both sides, have played an apparently indispensable part in some agreements.

The second feature is the importance of winning the consent of the majority of the workers employed at all levels to the changes involved; this is a long and difficult process, but an essential one if the benefits of the bargain are to last.

This pamphlet is based on a report prepared for the use of the Post Office Engineering Union's Executive Council and negotiating officers, by the Union's research department. Its intention was to survey and comment on developments in productivity bargaining which have so

far taken place in this country.

The Post Office Engineering Union has been very interested in this subject for several years and has negotiated with the Post Office a number of agreements which have been in the nature of productivity bargains. The report was intended as part of the background for attempts to negotiate a more comprehensive agreement to the advantage of the department, the staff and the public as a whole.

Although a number of articles have been written on productivity bargaining and one excellent book—that by Allan Flanders on the Fawley Agreements—no general survey had existed until this report was prepared. This pamphlet does not claim to cover all aspects of the subject nor to examine in detail all the problems.

A very great deal more analysis and discussion is needed of the applicability of productivity bargaining to different economic and technological situations; of the process of preparation and discussion; and of the strains and stresses created for trade unions by successful—and even more by unsuccessful—bargains.

In the development of the practice of genuine productivity bargaining perhaps this sketch of past experience may be of service and stimulus.



# 1. introduction

In a public lecture at the London School of Economics on 8 March 1966, Professor Robert McKersie stated in an amusing but pointed way that, "in many respects this development (productivity bargaining) has the characteristics of a new religion. Like all great religions productivity bargaining has its hallowed ground (Fawley), inspirational beginnings (the writing of the maintenance and construction side of the *Blue Book*), and disciples (Allan Flanders)"<sup>1</sup>.

Conventional bargaining between employees and employers usually results in increased total labour costs without necessarily obtaining any return in changes of practice on the part of the employees which could lead to higher labour productivity. The prime purpose of productivity bargaining is to raise labour productivity and lower unit labour costs, and this is achieved by the exchange of alterations in working practices for increased leisure, higher remuneration for labour, more comprehensive fringe benefits and a general increase in the status of the manual employees<sup>2</sup>.

The proportion of labour costs to total costs varies considerably in British industry. At one extreme are the capital intensive industries such as oil refining, chemical works, electricity supply and integrated steel works, where labour costs are in the range of 5 per cent to 22 per cent of total costs<sup>3</sup>. At the other end of the scale are the labour intensive industries such as the railways and coal mining, where the proportion of labour costs to total costs can be as high as 60 per cent to 70 per cent<sup>4</sup>. The average proportion of labour costs to total costs in British manufacturing industry rose from 31 per cent in 1952 to 38 per cent in 1961<sup>5</sup>. Obviously anything which could have an important effect on the prices of our products, both in the domestic and export markets.

The problem of increasing unit labour costs in the UK was highlighted in the April 1966 issue of the OECD *Observer*. This pointed out that during the period 1958 to 1964 unit labour costs in Britain

rose by an annual percentage of 2 per cent, but the figures for the last twelve months showed an increase of 5.5 per cent. The article stated that, "While this (increase in unit labour costs) is a typical cyclical phenomenon and is more likely to be reflected in reduced profit margins than in accelerated price increases, the longer run trend of unit labour costs in industry gives cause for concern"<sup>6</sup>.

From the point of view of reducing costs it is obvious that the greatest potential savings are to be made by introducing productivity bargaining in labour intensive manufacturing industries, and even more spectacular results would be possible if some form of productivity bargaining could be introduced in services such as national and local administration and teaching. To date, the majority of productivity bargains have been in capital intensive industries. A variety of circumstances have made it easier to introduce these agreements into such industries rather than in labour intensive industries. Of these, possibly the most important is that the increases are granted either in full once the agreement is signed or (more commonly) at intervals of six months spread over one or two years dating from either the date when the agreement was signed or the date negotiations commenced. There is usually no question of waiting to see what are the results of the agreement. Consequently, whereas the employees obtain an immediate reward which results in a considerable increase in labour cost the full savings to management may not be achieved for several years. This situation creates far greater difficulty for an industry like the railways, where a 5 per cent increase in wage rates would increase total costs by about 3 per cent, than a modern oil refinery, where an increase in wage rates of 20 per cent might only increase total costs by 3 per cent also.

The paradox is that where productivity agreements could be most valuable they are extremely difficult to introduce, and where they would seem to be of least value in lowering total costs they would appear to be easiest to introduce. This



line of argument ignores the fact that in such capital intensive industries as oil refining, labour costs account for about 50 per cent of the costs controllable at local management level, thus giving the refinery which can markedly reduce its unit labour costs a cost advantage over its competitors. The main point is, that whatever the cost structure of the industry, the productivity agreement offers real and tangible benefit to employers as well as employees.

The traditional arguments advanced by trade union negotiators for an increase in wages are:

The profitability of the industry or the company.

Comparability of wages for similar work in other firms of the same industry or with similar work in other industries in the same locality or with the general level of earnings.

The cost of living and the concept of the living wage.

Shortage of labour.

Generally increasing productivity of a company.

Change in the value of work performed.

Trade union negotiators use whichever argument or group of arguments is most appropriate to the particular circumstances. This sort of collective bargaining is concerned with the division of wealth which has already been created by the joint effort of capital and labour, or seems likely to be created in the immediate future<sup>7</sup>. This is primarily distributive bargaining, the function of which is to resolve pure conflicts of interest<sup>8</sup>. In this situation there is no clear answer available as to how the jointly created revenue should be shared, and bargainers proceed according to subjective criteria, and "the eventual agreement is usually a compromise representing the least that is acceptable to the claimants and the most that the other side is prepared to concede"<sup>9</sup>.

Unlike normal collective bargaining, productivity bargaining is concerned with pre-determining the division of additional wealth and cost saving which could be created as the result of more efficient working practices and organisation, and is more akin to what Walton and McKersie call "integrative bargaining"—a situation in which it is possible to find a solution which benefits both parties. In addition, productivity bargaining attempts, by lowering unit labour costs, to influence directly the cost structure of a firm or industry in a way which should make it possible for the employer either to hold or reduce the price of the product, while at the same time increasing wage rates, leisure time and other benefits. However, it should not be assumed that productivity bargaining is an academic process conducted according to objective criteria alone. After the problems hindering increased productivity have been identified and solutions jointly arrived at (this is the ideal situation) then the normal cut and thrust associated with bargaining takes place.

There is a superficial relationship between productivity agreements and the usual type of payment by results incentive schemes. These schemes usually relate to direct labour on particular jobs and are "only a revision of norms directly regulating output", whereas productivity bargaining can be, and normally is, concerned with changing "any rules or conventions regulating work practices, including systematic overtime, job demarcation, removal of union restrictions on supervision or procedures for promotion"<sup>10</sup>. Incentive schemes often deteriorate into meaningless rituals and, instead of stimulating labour productivity, hamper it. It is noticeable that a preliminary to several productivity agreements has been the elimination of unsatisfactory incentive schemes which have produced chaotic and, in many cases, inequitable wage structures.

The productivity bargain should also be distinguished from company wide incentive schemes. At the present time two company wide incentive schemes—the Rucker Plan and the Scanlon Plan—are



receiving some attention in this country. It is claimed for the schemes that they have the following advantages: increased employment stability and decreased labour turnover apparently deriving from improved morale; productivity increases; the Joint Productivity Committees set up as part of the schemes are said to produce suggestions which result in general economies or improvements in working methods; they can be applied to plants, firms or groups not engaged on standardised types of production; they are economical to install and operate; they apply to the whole firm; they provide an easily intelligible target related to the objectives of the firm as a whole, and the progress made in relation to the target can be assessed; they are flexible; and they reward co-operative effort both on output and economy of materials and maintenance.

It can be said that these schemes have the following disadvantages: applied to large groups they have very little incentive value because the group effect is too dispersed; and co-operation is not improved as faster workers think they are subsidising others.

Whilst these plans can obviously provide an economic inducement for the acceptance of change, no payment is made for specific changes. We have decided therefore to exclude them from consideration in this pamphlet.

## extent of bargains

It is doubtful if anybody knows how many genuine agreements have been concluded in this country. Some firms have courted publicity whereas other important agreements have received no publicity at the direct request of the management and unions concerned. Appendix 1 gives a list of most of the known agreements, but it should be emphasised that not all commentators would agree that all these meet their own definition of a productivity agreement.

The first major productivity bargain was the Esso agreement at Fawley, which was

signed in July 1960. The details became known to the press in the spring of 1962. For the first year or two after this there were no indications of any similar agreements being negotiated. In fact, negotiations were taking place at British Hydrocarbon Chemicals Ltd., Shell Chemicals (Petrochemicals) at Carrington, Alcan Industries at Rogerstone, and the Spencer Steelworks of Richard Thomas and Baldwins. Negotiations had also been proceeding in the Electricity Supply Industry for several years under the heading of "Productivity and status", and after a turbulent period in early 1964 the Electricity supply staff status agreement was signed and stage 1 became effective from 1 July 1964. In 1964 about four important productivity agreements were negotiated, but it was not until 1965 that there was a great upsurge of interest, both on the part of unions and of management in such agreements. The result of this was that about another ten such agreements were successfully concluded during this year. A further ten agreements were concluded in the first nine months of 1966.

The oil refining and petrochemical industries have produced a series of extremely interesting agreements which have developed the concepts initially propounded at Fawley. The Esso Milford Haven agreement has carried farther than any other agreement the concept of intercraft and craft/process flexibility. The Mobil Oil Coryton agreement has seen the abolition of paid overtime. Shell Chemicals (Petrochemicals) at Carrington have also negotiated a productivity deal containing many interesting features.

There have been several recent agreements concerned with the distribution of oil and these have been followed by various other Road Haulage agreements for such bulk products as beer. London Transport completed a type of productivity deal in 1964, and in November 1965, municipal busmen were granted a productivity bonus when they operate large capacity standee and one man buses. (Since, however, this is a plus rate only paid in particular circumstances it probably has more in common with an



individual incentive scheme than a productivity agreement.) BOAC and BEA have also negotiated productivity bargains.

After the Southern Region (British Rail) Court of Inquiry in September 1965, an agreement on round the clock single manning for locomotives was signed. The 1966 threatened strike of railwaymen which followed on the report of the Prices and Incomes Board into pay and conditions of British Rail staff, has resulted in the commencement of negotiations which may lead to a productivity deal for one of the largest groups of industrial workers in the country.

In February 1966 a three year agreement was completed in the heating and ventilating contracting industry. There have been several agreements in various shipyards followed by the announcement in May 1966 of a general understanding between shipyard owners and the shipbuilding unions which is intended to result in greater labour productivity. The International Publishing Corporation has been involved in negotiating such agreements for several years. The most famous of these is at the Southwark Webb Offset works. Several other printing firms are also engaged in negotiating rather similar agreements. Other industries in which productivity bargains have been completed are steel, aluminium, chemicals, oxygen production, sugar refining, and the Post Office.

Public approval has been accorded to productivity bargaining on a number of occasions. The Phelps-Brown Report on London Transport, 1964<sup>11</sup>; the 1964 Court of Inquiry appointed to investigate the dispute in the Electricity industry which occurred during the negotiations for their status agreement<sup>12</sup>; the Devlin Report on the Docks<sup>13</sup>; the Scamp Report on the dispute between British Rail and the railway unions concerning footplate staff<sup>14</sup>; the Robertson Arbitration Award regarding employees in the Atomic Energy Authority<sup>15</sup>; and the Geddes Report on the Shipbuilding industry<sup>16</sup> all indicate degrees of approval for productivity bargaining. Public approval for productivity bargaining was also

given by the White Paper on Prices and Incomes Policy in April 1965. The first set of exceptional circumstances which might justify "exceptional pay increases" above the norm were defined as "where the employees concerned, for example, by accepting more exacting work, or a major change in working practice, make a direct contribution towards increasing productivity in the particular firm or industry"<sup>17</sup>.

Despite the fact that the number of productivity agreements is increasing, it is doubtful whether more than 750,000 employees have been directly affected—that is approximately 3 per cent of the total civilian labour force. Of these, the largest single group are the 138,000 in electricity supply. At the other end of the scale only 120 employees were directly involved in the Milford Haven agreement. Thus, it is understandable, that to the majority of employees and employers, let alone the general public, productivity agreements appear to be a new strange and sometimes frightening addition to the techniques of industrial relations. This situation is ripe for the creation of myths, and these most certainly abound where productivity agreements are concerned. Comments heard at first hand at various courses on the subject of productivity agreements have varied from: "You get a 50 per cent increase in your take home pay", and "There will be no difference between a labourer and a technician", to "It is all an American plot", or "A lot of nonsense which leads to an increase in costs and no extra return for the employer".

## footnotes

1. Robert B. McKersie, "Productivity bargaining, deliverance or delusion?" *Personnel management*, 1966.
2. Laurence C. Hunter, "Productivity agreements", *Scottish journal of political economy*, November 1964.
3. C. Pratten, R. M. Dean and A. Silberton, "The economies of large scale production in British industry", Department of Applied Economics, Cambridge, Occasional papers 3, 1965.



4. Annual reports of the British Railways Board and National Coal Board.
5. E. Nevin, "The cost structure of British manufacturing", *The Economic Journal*, vol lxxiii, December 1963.
6. "The Economic Outlook", *OECD Observer*, April 1966.
7. See verbatim accounts of negotiations between the Engineering Employers Association and the Confederation of Shipbuilding and Engineering Unions.
8. R. E. Walton and R. B. McKersie, *A behavioral theory of Labour negotiations*. McGraw-Hill, 1965.
9. *Productivity bargaining*, page 1, TUC, 1966.
10. A. Flanders, *The Fawley productivity agreements*, p244, Faber and Faber 1964.
11. *Report of the committee of inquiry to review the pay and conditions of employment of the drivers and conductors of the London Transport Board's road services*, HMSO, February 1964.
12. *Report of a court of inquiry into the causes and circumstances of a dispute between the parties represented on the National Joint Industrial Council for the Electricity Supply Industry*, HMSO, Cmnd 2361, May 1964.
13. *The final report on the port industry*, HMSO, Cmnd 2734, August 1965.
14. *Report of a Court of Inquiry into the issues arising in negotiations between the British Railways Board, the Associated Society of Locomotive Engineers and Firemen, and the National Union of Railwaymen*, HMSO, Cmd 2779, September 1965.
15. A Board of Arbitration to settle a difference between the two sides of the National Joint Industrial Council for the United Kingdom Atomic Energy Authority, September 1965.
16. *Shipbuilding Inquiry Committee 1965-1966 report*, Chairman, R. M. Geddes, HMSO, Cmnd 2937, March 1966.
17. *General considerations affecting prices and incomes*, clause i, o, Cmnd 2779, April 1965.



## 2. agreements in practice

While we do not wish to offer a precise definition of productivity bargaining, we shall describe the main features common to those agreements which we consider to be true productivity bargains. All these bargains offer some advances to the employees in exchange for specific changes in practice, in methods, or in the organisation of work which is intended to yield higher output and lower costs. Extracts from some of the more interesting bargains are given in Appendix 2. Each of them contains some of the following features:

1. A drastic reduction of the amount of overtime working.
2. A revision of working hours: a reduction in the basic working week—although in most cases this feature was coincidental; introduction of shift rotas or amendment of current shift rotas so as to provide for greater coverage of the job or the reduction of the number of employees on shifts.
3. Measures to increase the flexibility of labour and to ensure the effective use of manpower: redefinition of demarcation lines between craftsmen; varying degrees of craft/process interchangeability; the abolition or reduction of the number of mates and their redeployment on other work and the reorganisation of the grading structure; the revision of the supervisory structure and the agreement of craftsmen to accept instruction from supervisors possessing different or no craft qualification; the mobility of workers inside the same plant and between locations; and the acceptance of work study and measurement.
4. Revision of the wages structure: greatly improved wage rates and a smaller increase in earnings; the abolition of special additional payments and the consolidation of these rates into the base rate; the reduction of non-productive time allowance, and the simplification of pay structure usually involving a reduction in the number of pay rates.
5. Staff status and fringe benefits: improved holiday entitlements and holiday pay, and non-contributory pension schemes, full pay when sick.
6. Safeguards against redundancy.

### OVERTIME

To many people, the most important contribution of productivity agreements to the health of British industry has been their success in drastically reducing the amount of overtime worked. Professor B. C. Roberts and Judith Hirsch stated in a recent paper: "The actual hours worked in industry by an adult male, in October 1963 . . . was 47.6, a number that was almost identical with that for 1958"<sup>1</sup>. Their findings in general supported the arguments advanced by Hugh Clegg<sup>2</sup> and D. J. Robertson<sup>3</sup> that much overtime is used to compensate for low hourly rates and is "policy" overtime. However, Roberts and Hirsch also pointed out that the method of wage payment also has an effect on the level of overtime.

One of the most difficult battles that the consultants at Esso Fawley had with management was to convince them that the plant could work effectively without excessive overtime and without increasing the size of the labour force. Eventually they convinced both management and the workforce of the undesirability of overtime and the agreements provided for its progressive reduction from an average of 18 per cent to 2 per cent<sup>4</sup>. Although wage rates were increased by approximately 40 per cent over two years, the groups of employees who worked the greatest amount of overtime had to accept a reduction in their average take home pay.

The same consultants were equally successful at Alcan in convincing management and employees that high overtime was unnecessary, with the result that it was reduced for production workers from an average of 4 to .4 hours, and in the engineering department from 8 to .8 hours per week.

In the electricity supply industry it had



been argued for some time that the excessive overtime being worked was partly "policy" overtime, intended to make the earnings of the employees competitive with those in manufacturing industry. In some areas certain groups of employees worked as many hours in overtime as they did in their normal working week. Stage 2 of the agreement introduced the concept of unpaid "incidental overtime" for manual workers<sup>5</sup>, and this was allied to an imaginative transitional personal payments clause which was intended to prevent resentment in those areas where a large amount of overtime had been worked. Average hours worked were reduced from 49.4 April 1964 to 41.7 October 1965<sup>6</sup>. The success of this exercise would seem to indicate that the reduction of overtime, when accompanied by a reorganisation of the working week, can be successfully negotiated at the national level. Because of this reduction in hours, average weekly earnings increased by only 7.4 per cent over eighteen months (between October 1964 and April 1965 average weekly earnings decreased by seven shillings per week) this being less than the average increase for "all industries" during the same period. This situation resulted in considerable bitterness and contributed to the lack of co-operation shown by many employees in implementing those permissive clauses which were intended to result in the more efficient use of labour. This experience demonstrates the importance of maintaining average earnings.

The most interesting approach to the overtime issue is found in the Mobil Coryton Agreement of 1965. Before the signing of the agreement, average overtime was about 7 hours per week, and within a very short period overtime amongst the 880 employees virtually disappeared. Of great significance was the provision in the agreement that any overtime which had to be worked should not be paid for but time would be taken off in lieu<sup>7</sup>. A short time after the agreement was signed there was a major fire at the refinery, and because the repairs had to be completed quickly, a long period of continuous work was necessary. The management suggested to the

shop stewards' committee that special payments would be made for an emergency period. The committee felt that this would be a dangerous precedent which could be embarrassing to both the company and the stewards. It was decided to abide by the agreement with the result that no paid overtime was worked and the repairs were completed in less than the scheduled time.

All the oil companies who have negotiated refinery productivity agreements have large transport fleets to distribute the refined products. The negotiation of effective productivity bargains for this section of their labour force might be expected to be considerably more difficult because the road haulage industry has one of the most intractable overtime problems. As with most other drivers, the basic rate of the oil company tanker drivers was low, and the average hours which had to be worked in order to earn a weekly wage of approximately £20 was between 55 and 57<sup>8</sup>. Consequently, at least one oil distribution productivity agreement made it quite explicit that the key to the bargain was to be found in the proposals regarding overtime<sup>9</sup>.

Most of the oil distribution agreements follow the Esso pattern of condemning overtime in general terms and state that "planned reductions in overtime . . . will take place as the basic rate increases". The Mobil approach was rather different. The Transport and General Workers' Union and the company agreed that the work load should ideally be completed within the forty hour week but accepted that, in fact, the average hours worked in each depot would vary from the basic forty to basic plus four. The plus factor was arrived at as the result of local negotiation which was agreed to nationally. This resulted in a different payment to drivers (bulk) on the basic planned week and those on basic plus four of £160 per annum. Any hours worked outside the plan were compensated for by equivalent time off. It was anticipated that the average working week would decrease from 57 to 43 hours per week.

The Prices and Incomes Board have re-



marked on several occasions, on the amount of overtime being worked, and their most direct attacks on the practice of working extensive overtime were in their reports on bread and flour, and on wages in the baking industry, in which systematic overtime was criticised as "an accepted institution, more to maintain earnings than to meet the requirements of production"<sup>10</sup>. The general report of the Prices and Incomes Board commented that "This dependence on high overtime earnings makes for the retention of practices which spin out work into overtime hours"<sup>11</sup>. There can be little doubt the Prices and Incomes Board will return to this subject in future reports.

In industries or firms in which an excessive amount of overtime is worked it is desirable to make this issue the starting point of the productivity agreement. The recent agreements in the Gases Division of British Oxygen well illustrate the importance of resolving the overtime problem. In the 55 depots of the Gases division, overtime was high for both inside and transport workers. The average working week was 52 hours. Each of the depots worked out plans which should enable the same labour force to complete the same work in 15 per cent less time. As employees who complete their work load in the reduced hours will receive a 25 per cent productivity bonus, unit labour costs will not at first be reduced.

The agreements do, however, provide the necessary basis for the next part of the exercise, already agreed to in principle, which it is anticipated will result in very considerable real savings in unit labour costs and an increase in average earnings.

Many of the other changes associated with productivity bargaining such as the reorganisation of working hours and, to a certain extent, the agreements on inter-craft flexibility, are necessitated by the considerable reduction in the number of working hours. Furthermore, the amount of overtime worked before the advent of the productivity bargain will to a large

extent determine the annual increases in the wage rates required to compensate a great majority of employees for their loss of overtime earnings. A reduction in working hours from 48 to 40 is something which the vast majority of employees will be happy about, but if this is accompanied by a drop in take home earnings for more than a small minority, then it is doubtful whether the clauses which deal with the more efficient use of labour will ever become effective.

It would appear that as long as there is no decrease in the total amount of work or increase in the labour force, the reduction of overtime working offers the greatest single initial contribution productivity bargaining can make to the efficient utilisation of the labour force in the British economy.

## REVISION OF WORKING HOURS

The majority of the agreements have provided for a reduction in the standard working week from 42 to 40 hours. This, however, was not an essential part of productivity agreements. Working hours were intended to be reduced by the drastic curtailment of overtime rather than by a shorter basic week. It so happened that many of the agreements were being negotiated at a time when the 40 hour movement in this country was in full spate and if a reduction had not been included in the agreements it would inevitably have led to a separate application for a reduction in the hours.

Whereas the reduction in the standard working week was usually coincidental, the alteration in the distribution of standard hours has been an integral part of most productivity bargains. At Fawley, management introduced additional permanent and temporary shift systems. According to the agreement, the temporary shifts were to be worked initially by volunteers only. These volunteers could be expected to work 6 weeks of temporary shift per year, but not more than 10 weeks unless the employee requested to do it. It was also agreed that these volunteers might be used for only



one shift at a time with only 24 hours notice given for changing his shift.

The electricity supply industry faced a particularly difficult problem as regards work loading. This was because the most convenient time to undertake maintenance of the generating stations was during the weekend when the demand was lightest. Stage 2 of the status agreement provided for staggered day working, staggered hours worked, winter/summer stagger and work load stagger<sup>12</sup> and in return the employees were paid compensatory weekly or annual allowances and premium time for weekend working. These arrangements have been extremely successful in ensuring the availability of labour at the time required and have greatly contributed to the reduction of overtime working.

Staggered week working and temporary shift work were also provided for in the Mobil Oil Agreement. The purpose of the staggered week was to enable turn arounds, and work on major breakdowns to be carried out over the weekends without overtime. Temporary shift work was required to provide shut down and start up cover for tasks which interfered with the progress of other work, to extend the work by night shifts, and to accelerate work on turn arounds and major breakdowns. The agreement stipulated that permanent shift work on maintenance should be discontinued and that these workers would be transferred to day work. The 28 employees involved received ex-gratia payments. The terms of the agreement provided "that up to a maximum of 8 periods per annum of 10 days continuous working separated by 2 days off (which may fall on any days of the week) will be worked by any employee"<sup>13</sup>. The number of employees on shifts was also greatly reduced at Alcan, and the employees taken off shifts received ex-gratia payments of as much as £110.

In addition to reorganising the patterns of working hours, nearly every productivity agreement has given management a greater degree of control over the hours worked by their employees. In almost all

cases a series of different shift and day rota systems is provided for and men must be prepared to transfer, after a stipulated period of notice or consultation, as necessary. Trade unionists agreeing to this must ensure that employees are adequately compensated for this inconvenience and insist that the work is organised to minimise this type of disturbance. It is the task of the unions and management to discover the pattern of work which will best provide for the optimum efficiency of the firm or industry and the minimum disturbance to the social life of the employees. This is an issue which must be handled delicately and wherever possible on a work group basis.

## UNDEREMPLOYMENT OF LABOUR

In his speech to the Trades Union Congress, on 5 September 1966, the Prime Minister emphasised that the greatest contribution that the trade union movement could make to obtaining an increase in productivity was "the elimination of every avoidable restrictive practice, . . . the biggest problem here is over-manning, deliberately employing more men than are needed to do a given job".

This address must have brought some pleasure to William W. Allen, the management consultant and architect of the Fawley Blue Book, who, for several years, has maintained that Britain has been suffering not from over-full employment, but under-employment. In a recent public statement on this subject he said that "The manufacturing industries . . . are overmanned, on average by a factor of two. This means either that the present output of the manufacturing industries could be achieved with half the manpower, or that the present manpower could produce an output double that which is now being obtained"<sup>14</sup>.

Productivity bargains have done more to bring about the more effective utilisation of the labour force and the curtailment of under employment than any other type of collective bargain. This has been achieved in a variety of ways largely



concerned with modifying traditional approaches to the use which can be made of the labour force.

## intercraft flexibility

One of the features of productivity bargains which has received much public attention and has also aroused greatest fears in the trade union movement, in particular the craft unions, is the provision for the increased flexibility of labour. Trade union disputes over demarcation lines between different sorts of worker, sometimes in the same union, seem to the general public to be unnecessary and excessively harmful. At the same time these disputes cause a great deal of bitterness amongst the men involved and are remembered long after settlement is reached. Although the 56,000 days lost in 1964 as a result of demarcation issues were less than 1 per cent of the total lost due to industrial disputes, they tended to be concentrated in vehicles, shipbuilding and marine engineering, metals and engineering, where they did a considerable amount of damage to industrial production.

It is often forgotten that the development of these demarcation lines was indirectly encouraged by the employers to ensure the existence of skilled specialist craftsmen. Prior to the rapid development of the engineering industry in the early nineteenth century, the millwright was an all round craftsman who worked in metal, stone or wood. As the technology of the engineering industry became more complex so it was necessary to have a variety of specialist craftsmen, and specialist trade unions grew up to cater for their needs. Technological development in the last 20 or 30 years has resulted in the development of many jobs which no longer fall within the divisions of the old specialist crafts. Such work is nevertheless usually undertaken by a series of specialist craftsmen and this involves a considerable waste of labour. One of the earliest examples of technological development resulting in the reorganisation of a craft structure was when in 1911 the Post Office Engineering

Union agreed to the establishment of the grade of skilled workmen who undertook jobs previously performed by several separate craft grades in the telecommunications industry.

In some Standard Oil refineries in the US, the refinery mechanic has existed for some time and it was considered introducing this grade at Fawley. After the consultant had examined the work patterns at Fawley and had had long discussions with the management and local union representatives it was decided not to aim for the establishment of such a grade. Instead, the approach was that all the craftsmen would continue to be designated as fitters, electricians, plumbers, and so on, but provision was made for members of any one or two, three or four crafts to undertake certain jobs<sup>15</sup>. This agreement increased the flexibility of working between craftsmen, but the degree of flexibility achieved should not be exaggerated and it should be borne in mind that much of this flexibility existed in an informal way for many years before the agreement was signed. The difference seems to be that, whereas such flexibility previously existed because craftsmen found it convenient to co-operate unofficially with each other and could if necessary withdraw this co-operation, it is now part of formally accepted working practices.

There are various approaches to this problem of flexibility. Some agreements merely contain a general statement of co-operation. The most well known of these is the vague statement on employee co-operation in the Electricity Supply agreement. The reason for this approach was that when the working party began to consider specifying all the instances throughout the country of inefficiency caused by strict demarcation lines it was discovered that these practices varied tremendously from place to place. The result was that management abandoned their detailed "shopping list" and decided to tackle the problem by using a general formula. It is accepted that this clause is honoured in the breach and the question arises as to whether it is possible for such national statements to be effective.



The approach followed at the Shell Carrington works was in some respects similar in that there was no detailing of the specific changes required. Instead, it was agreed that "craftsmen will be interchangeable within the concepts of time, tools and ability"<sup>16</sup>. Apparently the result was a very considerable increase in the utilisation of the craft labour force and certain jobs which had previously been performed by six men were completed by one man. The difference between this case and that of electricity supply is that at Carrington the process of improving the efficiency of the labour force had been making steady progress since 1963 and the productivity bargain of 1966 was the result of a long period of trust during which the employees had learnt the practical lesson that such agreements could be to the benefit of both the employer and the employees. Consequently the generalised statement became the basis of development instead of an excuse for doing little or nothing about the situation.

The more common method of tackling this problem is to detail the flexibility required. This was probably most thoroughly carried out at the Mobil Oil Coryton Refinery where craft jobs were broken down into 70 task sheets and at the head of each sheet was a list of the craftsmen who can undertake the job. Following a rather similar approach, the Steel Company of Wales succeeded in obtaining the abolition of seven foolscap pages of restrictive practices<sup>17</sup>.

Another way of tackling this problem was illustrated at the Spencer works. This was a "green field" situation and the negotiations for the craftsmen were not completed until the works had been operating for twelve months. The eventual agreement stipulated that the wages should be dependent upon the employees accepting not only the clauses regarding, for instance, grievance procedure, shift changes, abnormal conditions money, but extremely detailed job descriptions. These job descriptions were written in such a way that certain tasks appeared in the job description of different sorts of craftsmen<sup>18</sup>.

Probably the most complete degree of inter-craft flexibility was achieved at the Esso plant at Milford Haven. This was a new plant and the 3,000 applicants for the 150 jobs had to complete questionnaires which contained a section enabling the employment officers to select employees who were not opposed to inter-craft flexibility in principle. During the first few years of the refinery the area of inter-craft flexibility was extended and for most purposes there is now almost complete inter-craft flexibility.

Undoubtedly, one of the great problems in concluding agreements to deal with co-operation between different types of craftsmen is how to obtain an industry wide agreement which is effective. Here the British Oxygen Company, ICI and, to a lesser extent, the oil distribution agreements seem to have indicated a way forward. The central agreement should be of the statement of intent type, but it should be supplemented by detailed local discussions which resolve how to successfully implement it at the local level.

These inter-craft flexibility arrangements create very real problems for craft unions. The craft union is the guardian of the skills of the craft, and one of its chief functions has traditionally been to see that these skills are not trespassed upon by people who have not received the appropriate training. Although many craftsmen realise that technical changes may have made traditional job demarcations meaningless, this does not prevent them feeling that such agreements threaten the future of the crafts. It would be unrealistic to expect them to welcome the thought of their individual craft becoming almost indistinguishable from another craft or of process workers being trained in a comparatively short time to undertake much of their work.

## craft/operator integration

A feature common to many productivity agreements has been the inclusion of the principle that certain types of maintenance work could be undertaken by production workers, and that craftsmen



could perform certain process operations. Once again the two basic approaches have been the general statement on co-operation as found in the Electricity Supply Status agreement and the specific approach as exemplified in the Mobil Oil Coryton agreement and the Fawley Blue Books. The process of craft/operator integration has proceeded farther at Milford Haven than at any other place where the ultimate aim is that there will be virtually complete craft/process flexibility, and the various craft and operating grades will be replaced by one grade of refinery technician.

The reverse side of this coin is the extent to which the process workers and the craftsmen have agreed that the craftsmen will be permitted and/or expected to undertake certain jobs normally performed by process workers.

In many agreements this issue appears to be far less significant than the reverse, but at Carrington about 100 craftsmen have displaced operators on shift crews and another 100 semi-skilled employees from the engineering department have been retrained as operators. The Milford Haven agreement has brought about, to a considerable degree, the situation in which craftsmen perform operating functions<sup>19</sup>. Whereas process workers are usually happy to be trained to perform certain craft jobs, because it increases their range of skills and their potential job mobility, in many cases there has been reluctance on the part of craftsmen to agree to undertake certain process jobs. This is probably because they regard such work as being inferior, and not worthy of the training of a craftsman. This is particularly so since some process jobs require a great amount of experience and "skill on the job" if they are to be performed efficiently, with the result that the craftsmen are required to perform only the less skilled process work. Process workers also have shown some reticence in permitting craftsmen to undertake their work. It is possible that they see this situation as the fore-runner of the automated factory in which the white coated technician will not only maintain the machinery but will

undertake such operating processes as are required.

The issues of inter-craft and craft/process flexibility vividly illustrate one of the most difficult aspects of the problem of formulating a productivity agreement, that is, should the productivity agreement detail all the changes intended, or handle them in a general statement of co-operation? It has been stated that most managements are sceptical of the "statement of intent" approach to productivity bargaining, as they feel that if they do not get signed agreement on specific changes they will never get anything in practice. If one accepts the view that the most important gains in productivity bargaining come from the improvement in the labour relations atmosphere as the result of "cultural change" (that is, a change in traditional beliefs and attitudes) then, "the detailed statement of changes may only serve to produce rigidities in the future. The document describes the next plateau that has to be abandoned"<sup>20</sup>. This is a real pitfall if the agreement has been concluded without the willing consent of the employees, but if the negotiations have been preceded by detailed consultation on how to solve together the problems facing the enterprise, then it is unlikely that this danger will materialise. Similarly a general statement on co-operation can be successful if it develops logically out of a situation in which the employees and employer are determined to do something about attaining greater labour efficiency, but if this is not the case then it will merely remain a pious aspiration. The effectiveness of both approaches is directly related to the quality of the previous industrial relations and to the method used in negotiating the agreement.

## mates and craft grades

In some instances the mate in British industry is an unskilled worker who is little more than a bag carrier and tea brewer. At the other extreme, he is a vital part in the maintenance team, who in time acquires a considerable amount of skill "on the job". The mate's social



role is as a prop to the status of the craftsman and the loss of a mate might be regarded by some craftsmen as an indication of down grading.

There have been no national studies of the percentage of time for which a mate is utilised. At Fawley it was estimated that prior to the Blue Book mates were limited "to being about 40 per cent as productive as the craftsmen they assist"<sup>21</sup>. There were 300 mates, and the original intention was that the grade should be completely eliminated, and that 120 would be up graded to craftsmen after two years' training, the remainder were to be trained for other semi-skilled work in the refinery. Eventually, the grade of mate was abolished, but because of certain constitutional difficulties facing the majority of the craft unions, only 13 ETU mates were up graded to craftsmen. The grade of mate was also eliminated at the Mobil Oil Coryton refinery and, after training, 28 were upgraded to craftsmen, 34 became process operators, and 14 elderly mates remained as shop helpers.

The Alcan industries and Spencer works agreements did not provide for the elimination of the grade of mate but, instead, agreement was reached that where appropriate, craftsmen would work without non-craft assistance. In practice, this meant that, on some occasions, two or more craftsmen would work together and assist each other as required, or in other instances, one craftsman would work entirely on his own. Personal mates ceased to exist and were replaced by a "pool" of mates with the result that this labour was far more effectively and fully used than previously. A rather similar approach was followed both at British Hydrocarbon Chemicals Ltd., where it was agreed to reduce the mates by approximately 25 per cent<sup>22</sup> and in the Post Office engineering department, where it was agreed that a jointer and mate working together would "no longer be the basic pattern of organisation"<sup>23</sup>.

At Milford Haven the management was presented with an unusual opportunity of solving this problem since it was a new site. The result was that all craftsmen

who applied for jobs had it made clear to them that there would be no mates employed, and that they would have to be prepared to work on their own, and undertake a lot of the rough work which was normally done by mates. Also at Carrington the position of craftsman's mate did not exist, but there were a number of semi-skilled men in the engineering force who were either upgraded to craftsmen status or transferred to process operators.

As with many other features of productivity agreements there is no one answer applicable to all situations. In some cases it is worthwhile to completely eliminate the grade of mate and for craftsmen to either work by themselves or in groups of two or more, but in other situations it makes more sense to replace the idea of the personal mate with a "pool" of mates who can be called on when required to assist the craftsman. In practice there would seem to be surprisingly little resistance to bringing about these changes as long as every effort is made to solve the problem jointly, and that the mates are thoroughly retrained for other jobs.

The question of mates is only part of the wider issue of the general reorganisation of craft grades. The first attempt in a productivity agreement to challenge these traditional concepts was made during the Spencer works negotiations. Management proposed that in the electrical engineering department there should be five distinct grades: technicians, craftsmen grade 1, craftsmen grade 2, maintenance men, and helpers. The ETU resisted the idea of two grades of craftsmen, and also insisted that the usual designation of "mate" should be used instead of "maintenance man". Eventually the grade structure agreed upon was: technician, craftsman, mate and labourer. However, the mate does perform a certain amount of unsupervised routine maintenance. More important is the three year productivity agreement in the electrical contracting industry which provides for three grades of electrical workers—technician, approved electrician and electrician, and ends the grade of mate<sup>24</sup>.



The general reorganisation of craft and allied grades is likely to be extremely difficult as the system is partly perpetuated by a persistent belief about its value or necessity, so that neither the active will to change it nor, for that matter, the passive consent to it being changed, is likely to be forthcoming so long as the underlying beliefs remain unshaken. In this case, perhaps as much as in the case of flexibility, a change of attitude and beliefs is a necessary prerequisite to institutional change. If productivity agreements did no more than demonstrate that such ingrained attitudes can be successfully modified then they would be worthwhile.

## supervision

Craftsmen have traditionally been very reluctant to work under the supervision of men who have not received craft training similar to themselves. Most of the agreements state explicitly that craftsmen will be prepared to be supervised by employees who do not belong to their own craft. In some cases this has only been extended to other craft supervisors, but at Milford Haven and Carrington, craftsmen, if necessary, work under the supervision of process supervisors. At the same time there has been a streamlining of the supervisory structure resulting in the elimination of the grade of chargehand and more emphasis placed upon self supervision. One factor which trade unionists must consider is that the elimination of the grade of chargehand means limiting the promotion possibilities for craftsmen. This is especially important for time rate craftsmen as, unlike many process workers, promotion to chargehand or foreman represents the only method of permanently increasing their earnings.

## internal plant mobility

In many large industrial establishments there is a lack of geographical mobility of craft and process workers between various departments. There are obvious advantages to be gained from employees

knowing in detail the type of work which is to be undertaken in their particular section, but it is equally obvious that an occasion may arise when it is vital to have as many employees as possible working on a section of the plant. The original intention in the Spencer works was to have complete mobility of craft labour from one end of the plant to the other (a distance of  $3\frac{1}{2}$  miles) but this was resisted by the union negotiators. It was eventually agreed that the plant should be divided into a "heavy end" and a "light end", and inside these very large areas there should be complete mobility of craftsmen. In addition, a considerable number of craftsmen who worked in the central engineering workshop could form a mobile gang who could be sent to any part of the plant.

This problem is far more difficult when tackled on an industry wide basis such as electricity supply. Here the management required not so much mobility inside a particular plant but mobility between different generating stations or maintenance centres and it was eventually agreed that "it is reasonable for management to require power station maintenance employees to work away from their home stations (appointed centres) when this is desirable in the interest of the job provided that the terms of the national agreement are appropriately applied"<sup>25</sup>.

The Esso Petroleum Company distribution agreement approached this problem through job descriptions. There are a large number of distribution depots throughout the country, and as in the case of electricity supply, the management wished to get geographical mobility between them. The agreement stipulated that employees should provide holiday relief duties at plants other than their own<sup>26</sup>.

## work study and measurement

One of the traditional ways of increasing labour productivity has been by applying the principles of work study and measurement. Some commentators



seem to think that productivity agreements eliminate the necessity for the acceptance of work study. On the contrary, nearly every productivity agreement contains clauses relating to the acceptance of work study. Perhaps the most detailed statement on the introduction of work measurement is to be found in the Esso Petroleum Co. distribution agreement. Here the union explicitly agreed to the use of work study as a method of improving productivity<sup>27</sup>.

## REVISION OF WAGES STRUCTURE

One of the problems to be overcome if there is ever to be a rational incomes policy in this country, is the revision and simplification of the wages structure which will result in a closing of the gap between basic rates and earnings, and a reduction in the number of wage levels.

Productivity agreements have made a start. In many industries an employee's wage consists of five or six separate components—a low basic rate, supplemented by a factory productivity bonus, individual output bonuses, abnormal condition money, cost of living adjustment and a wide variety of different rates for overtime. This situation often results in confusion, and is certainly a contributory factor to wage drift.

The Fawley agreement provided for an increase in basic wage rates of 40 per cent phased over a period of 24 months. 20 per cent increase in rates has become the average for productivity bargains—some, such as Mobil Oil at Coryton with 38 per cent over 18 months, have increased by more, and some, as in BOAC, 21 per cent over 36 months, have been less. The most recent productivity agreement is that in the electrical contracting industry, and this provides an increase of one third in the hourly basic rate spread over three years for most electricians.

One of the most common errors made about productivity agreements is to assume that this massive increase in wage rates has been accompanied by an

equally large increase in earnings; this is far from the truth. In nearly every case, reduction of excessive overtime has been an essential part of the agreement, with the result that average earnings have tended to increase by something between 3 to 8 per cent per annum. Employees who work 20 per cent overtime (8 hours per week) at time and a half will take home less pay as the result of a productivity agreement which gives less than 30 per cent increase in wage rates. And since it is probably true that "the unions and the members consent . . . will not be forthcoming if more than a small minority of workers suffer any serious losses in their take home pay"<sup>28</sup>, it is easy to understand the necessity for such large increases in wage rates.

The years which followed the signing of the Blue Books highlighted an interesting point of principle. Did the acceptance of the agreement mean that the unions could not make a traditional type application for another increase in wages, during the lifetime of the productivity agreement? In other words, do the benefits resulting from the agreement represent an "extra" or the total advance for the period of the agreement? At Fawley this issue was not spelled out in detail, and the unions maintained that it did not preclude them from making an application for a normal increase. Eventually, a small general increase was negotiated during the term of the Blue Book. However, most of the recently negotiated productivity agreements state quite explicitly that during its lifetime there will be no further wage increases.

A major difficulty is that since productivity bargaining takes a considerable time, employees are asked to wait a long time for a wage increase, at a time when wages in other industries are moving ahead. This happened in the electricity supply and the Esso marketing agreements, and in both cases the employers found it necessary to agree to "emergency" wage increases. A solution to this dilemma might be to engage in conventional bargaining while the productivity bargain is being thrashed out, but to include all future increases for a definite



period in the terms of the productivity bargain.

One further complication in evaluating the effect on wages is that it is also necessary to take into consideration movements in other industries, and increases in the retail price index. All employees who have been involved in productivity bargains have received increases in wage rates far in excess of any increases in other industries, or employees in the same industry, but the real increase in wages, of course, depends upon the movement in the retail price index during the life span of the bargain.

In an industry wide bargain the aim should be that the great majority of the employees should not only increase their wage rates but should also increase their take home pay. Those who suffer a decrease in earnings as the result of the abatement of overtime would be at least partly compensated by a big increase in leisure.

One of the most difficult industries in which to attempt to develop consolidated rates is steel. In a steel works it is possible to encounter every type of abnormal working conditions—extreme heat, suffocating dust, unusual filth resulting from grease, oil, iron ore and other dirt; working at great height, in confined spaces and near extremely dangerous machinery. The outcome of these conditions is a spectacular array of abnormal condition payments. In many steel works almost every different job performed by craftsmen on plant maintenance merits an additional payment varying from 3d to 2s an hour extra.

At the Spencer works the craft unions eventually agreed to the inclusion in the agreement of a clause which eliminated abnormal conditions payment<sup>29</sup> and provided for ex-gratia payments in unforeseen and exceptional circumstances. This clause was interpreted very strictly by the management, and since every job description concluded with a list of "normal" conditions, which encompassed almost every type of adverse situation

imaginable, there have been very few occasions when men have been granted an ex-gratia payment.

A rather different approach was followed at Alcan, but the result was an even greater simplification of the wage structure. Consolidated group rates replaced the existing structure, which consisted of "Base rates, cost of living award, production bonus, craftsman's bonus and monthly bonus. All special payments (e.g. for abnormal conditions) are eliminated", and it was further agreed that the new wage structure terminated eleven separate agreements which had affected the take home earnings<sup>30</sup>.

The oil refining industry is another industry in which a great variety of special payments for abnormal conditions existed and the various agreements, such as at Fawley, have led to their consolidation into the base rates because "the rates of pay now agreed take care of all conditions likely to be experienced on an oil refinery. The practice of agreeing special payments for "exceptional" conditions will accordingly cease"<sup>31</sup>.

This clause was also intended to cover the complete abolition of time allowances for washing up after dirty jobs. This was one of the issues which caused some trouble at Fawley, and eventually a fact finding committee was established to examine this problem. This resulted in a supplementary agreement of time allowances for exceptionally dirty jobs, as a result of which, certain jobs were allowed 15 minutes washing up time and certain other jobs 8 minutes. Most of these jobs were concerned with the cleaning of certain items of equipment, for example, "work in crude slurry, slop, lube oil and bitumen tanks. Cleaning and de-scaling inside black oil and slurry exchanger shells".

A welter of special payments had also developed in civil air transport and both the BEA and BOAC agreements provided for a simplification of the wage structure.

It is difficult to make a blanket agreement to cover all types of non-produc-



tive time allowances. In a continuous process industry, if management insists on a "change on the job" it usually means that men have to wash up in their own time, but this creates transportation problems, as some men will be ready at the normal clocking off time, and others may be delayed for up to 20 minutes. This may appear unimportant, but it can cause intense irritation and dissatisfaction. Also it would appear to be reasonable that if men get exceptionally dirty while at work that the company should provide adequate facilities for washing and a specified amount of paid time off in which to get clean.

A feature common to most productivity agreements has been a reduction in the number of pay grades. In many industries it is quite common for different types of craftsmen to have different rates and for there to be almost as many different rates for process workers as there are process workers. The pattern established at Fawley was to establish one rate for craftsmen on shifts, and another rate for day craftsmen. The rates for the non-craft workers were also simplified, but a large number of separate rates remained. At the Esso plant at Milford Haven all craftsmen are paid the same rate except for a shift differential and all the process workers belong to one of four wage bands, refinery operator, relief operator, operator and process day worker. The refinery operator gets the same rate as the craftsman. The Mobil Oil Refinery agreement provides for a common craft rate, and the unusual feature about this is that ladders, riggers, scaffolders and crane drivers are included in this rate. However, there are 18 rates for all non-craft grades, which provide a differential of £9 between stillmen and labourers. The most complete simplification achieved was at Alcan, where the 40 separate rates were reduced to seven, but even this is insignificant compared with the recent proposals at the Steel Company of Wales to reduce over a thousand separate rates to six.

This sort of rationalisation proceeds on the basis that no grade gets less than it got previously. This is not difficult to

bring about when tied in with a general productivity agreement. Nevertheless, it can result in considerable criticism as some grades of necessity get a greater increase than others. This also means that those who were at the top of the scale consider that they have lost some status, since they are now being paid at a rate similar to employees who traditionally were paid less.

## STAFF STATUS

Most of the "packages" have included a variety of clauses offering inducements other than increased wage rates or shorter hours. Several of the firms who have been involved in productivity agreements were already known as good employers. Some have taken the opportunity of extending staff conditions as regards sick pay and pensions to works grades. Hourly rates have been replaced by annual salaries. The electricity supply status agreement contained a clause which made it possible for those employees with more than five years' continuous service in the industry to receive when sick, full salary for six months, followed by half salary for another six months. Employees with shorter periods of continuous service received benefits related to their length of service. In an industry in which many of the employees have to work under adverse conditions during the winter, this is obviously a considerable gain.

The majority of the agreements have provided for an increase in annual holidays. In addition, various productivity agreements state explicitly that while on holiday employees will receive the consolidated wage rate. At present most manual employees in manufacturing industry receive only their basic national rates or a special holiday rate.

It is possible that the development of the incomes policy may lead to greater emphasis being placed on this type of inducement instead of straight increases in wage rates. On the other hand, the establishment of a more comprehensive social security system could result in less



value being attached to the benefit of staff status.

## SECURITY OF EMPLOYMENT

One of the major difficulties that confront trade union negotiators when dealing with a productivity bargain, is the possibility of redundancy, and the way in which it is treated. Most productivity bargains have been in expanding industries, but several of the agreements which are under discussion at present, for instance on the railways and the bus services, are in contracting industries. Only a few of the agreements to date have had as one of their decided purposes a reduction in the labour force through natural wastage and probably the most successful operation of this nature so far was at Alcan.

The main test of the Fawley craft agreement does not contain any guarantee against redundancy, but the appendix on flexibility arrangements states that: "1. Nothing in these arrangements will result in redundancy or in any craftsman not being employed for the majority of his time at his craft", and the process workers' agreement stated that none of the mates were to be declared redundant. The agreement coincided with a period of rapid expansion, but a few years later it became apparent that if labour productivity was to continue to improve, it would be necessary to prune the labour force. Consequently, a generous redundancy agreement was negotiated, and it is said that there were more volunteers to be declared redundant than was necessary.

The Alcan Industries and BEA agreements stated that the proposals would not result in any forced redundancy. In both cases, the process of trimming the labour force was to be carried out through natural wastage.

On the other hand, the British Hydrocarbon Company made elaborate provisions in case it was necessary to declare redundancies, although in this event internal wastage was adequate. (It is

worth noting that an agreement between the US railroads and unions limited attrition to 6 per cent per annum to discourage employer practices that might induce high turnover<sup>31</sup>.) At the Steel Company of Wales, Port Talbot, it is hoped to reduce the present labour force of 16,000 to approximately 11,000. It is significant that the announcement of this was delayed until Port Talbot was declared a development area.

## differing agreements

Both the Petrochemicals and the Mobil Oil agreements specifically stated that there would be no redundancy as a result of the agreement, and the Petrochemicals agreement stressed that the increased efficiency of the plant "will be to entrench the security of employment of existing forces and provide long term protection against the possibility of redundancy" (clause 3).

But Esso, on the other hand, having learned from their experience at Fawley, refused to include a "no redundancy" pledge in the Milford Haven agreement. The company did, however, accede to a request that a general "statement of intention" as regards redundancy should be included as follows: "We do not envisage that the implementation of this agreement would give rise to anyone being made redundant. However, should any redundancy arise we believe that the necessary reduction in manpower would, in the first instance, be covered by natural wastage. If this were not so the company would be prepared to assist in placing any redundant personnel and would be prepared, if necessary, to give active consideration to re-training anyone redundant, so that he would be equipped to find alternative employment. We should also be prepared to give anyone affected at least three months' notice of redundancy, the last month of which would count as the month's notice required under the Contracts of Employment Act, 1963. We should also be prepared in this situation to make severance payments at a more favourable rate than is called for under the proposed 'Re-



dundancy Payments Bill' printed on the order of the House of Commons on 31 March, 1965."

The main purpose of so called restrictive practices is to provide job security. The demarcation lines drawn around particular skills have been developed to retain work for men who have undergone the requisite training, and whose standard of life depends upon a demand for that skill. It is both understandable and just that before such men agree to the relaxation of their traditional attitudes that they should be given promises of security of employment or re-training which would enable them to undertake work enjoying equal status and earnings. Also, those who volunteer to leave must be generously compensated. Inevitably, an increase in the general unemployment level, despite wage related unemployment benefits, must drive men on the defensive and make productivity bargains more difficult to negotiate.

The issue of employment security is, however, not a wholly negative aspect in the context of productivity bargaining. In the electrical contracting industry the 1966-1969 agreement provides for the establishment of union/employer machinery (National and Area Joint Industry Boards) which, besides establishing common standards of graded skills, will also control the supply of skilled manpower by a system of registration. In an industry such as contracting, where employment has usually been uncertain in duration, the productivity agreement will create the means for a more stable labour force and therefore far greater security of employment on the lines of the joint machinery operating in the United States electrical contracting industry.

## footnotes

1. B. C. Roberts and J. H. Smith, Eds, *Factors influencing hours of work, manpower policy and employment trends*, Bell 1966.
2. H. Clegg, *Implications of the shorter working week for management*, British

Institute of Management, Occasional Paper no 8, 1962.

3. D. J. Robertson, *Factory wage structures*, pp143, 146, 148, 151, 156, Cambridge University Press, 1960.

4. *Agreement between Esso refinery, Fawley and Craft Union committee*, 5 July 1960.

5. *Agreement reached by the National Joint Industrial Council and the Electricity Supply Industry stage 11*, January, 1965.

6. *Second written memorandum of the Electricity Council to the Royal Commission on Trade Unions' and Employers' Associations*, para 28.

7. *Productivity agreement between the Mobil Oil Company Ltd., Coryton refinery and the Joint Craft Unions*, January 1965, p3.

8. E. W. Allsop, "Securing co-operation for productivity," *The efficient use of manpower—a management responsibility*, Stratford-upon-Avon, 3-5 March 1966.

9. *Preamble to agreement between the Transport and General Workers Union and Continental Oil (UK) Limited*, June 1966.

10. National Board for Prices and Incomes, report no 3.

11. National Board for Prices and Incomes, report no 19.

12. *Electricity Supply agreement. Stage II*.

13. *Productivity agreement between the Mobil Oil Company Ltd., and the Joint Craft Unions*, p4.

14. William W. Allen "Britain in Blinkers", *Sunday Times*, 12 June 1966.

15. *Appendix B of agreement between Fawley refinery, Esso, and Craft Union's Committee*, 5 July 1960.

16. *Petrochemicals agreement*, 29 October 1965.

17. *Management Today*, May 1966, p53.

18. *Agreement between Richard Thomas and Baldwins Ltd., Spencer works and the Joint Craft Committee*, 26 June 1963.

19. *Esso, Milford Haven and AEU and T & GWU*, 30 July 1965. Appendix A1.

20. Robert B. Mckersie, "Productivity bargaining; deliverance or delusion?" *Personnel management* 1966.

21. Allan Flanders, *The Fawley productivity agreements*, p170.



22. *British Hydrocarbon Chemicals agreement*, 1964.
23. *Post Office Engineering Union/Post Office senior technicians agreement*, January 1965.
24. *National Joint Industrial Council for the Electrical Contracting Industry*, 1966/69 industrial agreement.
25. *Electricity status agreement*, stage III, clause B, 4 July 1965.
26. *Esso Petroleum Co. Ltd., and T & GWU distribution agreement*, January 1966, clause 18/13.
27. *Esso petroleum distribution agreement*, January 1966, clause 14.
28. Allan Flanders, "How dangerous is productivity bargaining?" *British Industry* 6, 18 March 1966.
29. *Richard Thomas and Baldwin, Spencer works, Joint Craft agreement*.
30. *Main Alcan agreement*, 1 September 1964, clause 14.
31. *Fawley Craft agreement*, clause 14.

So far the majority of well-known productivity bargaining have been at the individual plant level. Typical examples are the Esso agreements at Fawley and Milford Haven; the Spencer works of Richard Thomas and Baldwin; Mobil Oil at Coryton; Shell Chemicals at Carrington; and Southwark Oil Refinery. However, some agreements cover a variety of locations belonging to one company. Examples of these are some new Esso Wholesales Distribution British Oxygen. The third type of agreement, providing industry-wide coverage is less common. In some instances this has involved publicly controlled industries such as electricity supply, the Post Office and the railways, and in a few cases large privately owned industry with a large number of employees such as the electrical contracting industry.

### level of bargaining

The typical plant agreement has involved approximately 1,000 employees with a spread from the £1.50 an hour to £5.00 an hour. However, while many agreements have varied from approximately 100 to 1,000 employees, some have involved a much smaller number of employees and others have involved more than 10,000 employees. The level of bargaining is therefore an important factor in the analysis of the impact of productivity bargaining on the economy.

In trade union terms the national level of bargaining is the most important, but in productivity terms the most important and most useful is the plant level. The plant level is the most important because it is the level at which the majority of agreements are made.

The British system of collective bargaining is sometimes described as having three levels—national, industry and plant level. However, in fact there are many more levels of bargaining. The plant level is the most important and most useful, but it is also the most difficult to study. The industry level is the next most important and most useful, but it is also the most difficult to study. The national level is the least important and least useful, but it is also the most difficult to study. The plant level is the most important and most useful, but it is also the most difficult to study. The industry level is the next most important and most useful, but it is also the most difficult to study. The national level is the least important and least useful, but it is also the most difficult to study.



# 3. problems encountered

So far the majority of well known productivity bargains have been at the individual plant level. Typical examples are the Esso agreements at Fawley and Milford Haven; the Rogerstone works of Alcan; the Spencer works of Richard Thomas and Baldwins; Mobil Oil at Coryton; Shell Chemicals at Carrington and Southwark Offset. However, some agreements cover a variety of locations belonging to one enterprise. Examples of these are BOAC, BEA, Esso Wholesale Distribution, British Oxygen. The third type of agreement providing industry-wide coverage is less common. In some instances this has involved publicly controlled industries such as electricity supply, the Post Office and the railways and, in a few cases, large privately owned industry with a large number of employers, such as the electrical contracting industry.

## level of bargaining

The typical plant agreement has involved approximately 1,000 employees with a spread from the 3,450 at Alcan to 120 at Milford Haven, whilst firm wide agreements have varied from approximately 20,000 at BOAC to 4,200 at British Oxygen. Probably about half the employees involved in productivity agreements are associated with industry wide agreements.

In crude quantitative terms the national agreements are as important as the plant bargains, but in qualitative terms the most imaginative and successful productivity agreements are the plant agreements.

The British system of collective bargaining is sometimes described as having three levels—industry (national), district, and workshop bargaining. Formal district bargaining is no longer of much significance but industry wide bargaining is still extremely important and is strongly supported by trade union and employers' associations. The period since the end of 1945 has seen, however, the increased development of official company wide and plant bargains. The argument over the relative merits of industry wide and

plant bargaining has been conducted for at least ten years, but the advent of productivity bargaining has sharpened the debate.

There can be no doubt that if successful industry wide productivity agreements could be negotiated these would have a far more dramatic effect on the health of British industry than agreements negotiated at the plant level. The snag is that it is much more difficult to conclude genuine productivity bargains at the national than at the plant level.

Enforcement is essential to the effectiveness of the bargains and this is one of the reasons why it is very difficult to conclude a true productivity bargain to cover several locations of the same firm, and almost impossible at industry level to do more than indicate the broad outlines of an agreement.

Many of the difficulties have already been mentioned, in particular the problem of identifying industry wide obstacles to productivity and then being able to do something about them. The Electricity Supply status agreement is often used as an illustration of the type of difficulties which are encountered if one attempts to negotiate a national productivity bargain. However it must be remembered that this agreement was signed following a period of great strain between the employer and unions, and between the official union organisation and the unofficial shop stewards organisation.

Plant bargains avoid many of these weaknesses, but they in their turn have been subjected to a variety of criticisms. Most of these criticisms were voiced by the Confederation of British Industry in their evidence to the Royal Commission on Trade Unions and Employers' Associations. Several of these criticisms were subjected to cross examination, which revealed many of them to be based more on prejudice than on fact. The cross examination dealt in detail with the possibility of negotiating industry wide bargains and there was some disagreement between the Confederation of British Industry witnesses and various members of



the Commission. On one occasion Mr. Taylor, Director of Labour and Social Affairs, maintained that it would be fairly easy to negotiate changes in the ratio of craftsmen's mates to craftsmen, and inter-changeability or marginal flexibility in the use of craftsmen in national agreements whereas it would be more difficult to bring about a reduction of overtime worked through a national agreement.

Such experience as exists at present indicates that exactly the reverse is true. Eventually Mr. J. Davies, the Director-General stated that, "One of the things we have instituted relatively recently is a fairly far reaching study of the relationship between plant level bargains and industry level bargains in recent times. From this we hope to be able to get some measure of the relationship between these two problems. Very possibly we shall learn from that study whether arrangements have been entered into at plant level which could be incorporated at a later date into national arrangements and which would then put them into the framework of national arrangements"<sup>1</sup>

Perhaps when the results of the study are available the Confederation of British Industry may have some valid reasons for substantiating the conclusions at which they have already arrived!

At present it is clear that plant productivity bargains are easier to achieve than national productivity agreements and stand a greater chance of being effective. One of the principal reasons for this is that the smaller the area the easier it is to achieve the necessary consultation and discussion. It is possible that "a two tier system of controlling determined minima with locally negotiated supplements based on the circumstances of each plant or firm . . ."<sup>2</sup> might be the answer to the problem. However it is defeatist to imagine that the necessary discussion and consultation cannot take place when an industry wide or company wide agreement is negotiated—the British Oxygen agreement is an excellent example of a company wide agreement based on national negotiation and detailed consulta-

tion at the plant level. The negotiation of national agreements means that the demands made upon the union officers and management will be considerably greater. Management must not only co-operate fully with the unions by providing all the necessary facilities for discussions, but must also be prepared to spend a great amount of time consulting their local management and supervisors while the agreement is being discussed and then train them to handle the application of the agreement.

## incomes policy

Before the current incomes standstill various ministerial statements indicated a general approval of the concept of productivity bargaining. Although certain productivity agreements have been frozen, it seems clear that once the complete standstill is over genuine productivity bargains will, even though they may result in considerable increases in wage rates, be permitted. During the past year various reports of the National Board for Prices and Incomes and statements by its Chairman, also gave guarded endorsement of the principle of productivity bargaining while, at the same time, pointing out the possible inflationary effects and the "disturbance" which might be caused inside the specific industries.

At first sight it would seem that productivity bargaining is something which should receive the approval of a society committed to an incomes policy. In cases where productivity bargains actually reduce unit labour cost it can be forcibly argued that they are conducive to the successful operation of an incomes policy. There are critics, however, who point to some difficulties. First, the effect that these bargains might have upon adjacent firms. It has been maintained that in conditions of full employment and a shortage of both skilled and unskilled labour, firms in local labour markets, where productivity bargains have taken place, would have to grant claims from their own employees based on comparability. This line of criticism was voiced



by the Confederation of British Industry in their evidence to the Royal Commission on Trade Unions and Employers' Association, when they stated: "While plant productivity bargains may produce benefits for both the company and the employees concerned, their wider consequences are not necessarily desirable. They pay little attention to rates of economic growth and, in conditions of full employment, strong trade unionism and closely integrated industry, the inflationary features of the bargain (higher rates) will spread far more easily than the beneficial features (more efficient use of labour)"<sup>3</sup>.

A very considerable increase in the wage rates of employees in any one industrial establishment must have an effect upon the attitude of employees in adjacent establishments. If, however, the management of adjacent firms give wage increases so that their employees may obtain parity without concluding their own productivity agreements, then it is time that those firms critically examined and evaluated the competence of their own management.

Another criticism was mentioned in the fifth report of the National Board for Prices and Incomes *The remuneration of the administrative and clerical staff in the Electricity Supply industry*. The report pointed out that the negotiation of a productivity agreement for only one part of an industry is bound to create problems resulting from the disturbance to the wage and salary structure.

This is a problem, but it is certainly not insurmountable. It is significant that most productivity bargains for manual workers have been preceded by major reorganisations of the management and supervisory structure, and it is equally essential that the position of the clerical and administrative staff be examined at the same time.

A further misgiving often expressed by managers and the spokesmen of the Confederation of British Industry is that productivity bargains might hinder the long term development of productivity

and thereby undermine incomes policy by actually encouraging the development of restrictive practices. They feel the growth of new practices are encouraged by the fact that they might themselves, have to be bought off in their turn.

During the Confederation of British Industry's oral testimony to the Royal Commission, Mr. Hugh Clegg asked, "Is it the case that this kind of thing (productivity bargaining) does encourage a new crop of restrictive practices?" and Mr. John Davies, the Director General replied, "I think you would have to put the question to those competent to answer it. However, my understanding is that the answer is, 'Yes it does'"<sup>4</sup>. Later on, Esso informed the Commission that the Fawley management "are quite emphatic that no new crop of restrictive practices has grown up since our 1960 agreements"<sup>5</sup>.

It is sometimes said that it is unfair to make productivity bargains an exception which will justify increases above the norm as there are groups of people for whom it is very difficult to measure labour productivity. This line of argument misses the point that productivity agreements are concerned primarily with the more efficient use of manpower and there are few occupations where this cannot be done. In any case this is not a new problem, but it is one which is highlighted by the advent of a national incomes policy.

Finally, productivity deals which involve increases of between 10 to 20 per cent per annum in wage rates could have a considerable psychological, if not economic, effect upon the working of an incomes policy. But, it should not be assumed that such an effect would necessarily be an adverse one. It is possible that a productivity agreement giving employees an increase of up to 20 per cent could, at the same time, result in an actual decrease in the price of the product. Such an agreement would obviously be in the national good and, at the same time, would demonstrate to all employees the benefits which they could obtain in



agreeing to the more efficient use of labour.

## evaluation of agreements

For negotiators, the most crucial and intractable dilemma is, how to decide what monetary value should be placed on various agreements. Inherent in many of the comments made by the Prices and Incomes Board is the assumption that where all the necessary information is provided by management, it is possible to assess accurately the value of the changes brought about by a particular productivity agreement.

It is possible to make a reasonably accurate forecast of the effect on labour costs and capital costs of certain existing traditional practices, and the working of an excessive amount of overtime, but it is not possible to estimate accurately what the effect of productivity agreements will be on future labour productivity. Apart from anything else, one is immediately involved in whether to be concerned with hourly, weekly, or annual productivity. It is possible to imagine a situation in which hourly productivity is increased but weekly and annual productivity decreased.

The type of preliminary exercise which can be done by both unions and management is described in Appendix I of the *Esso evidence to the Royal Commission on trade unions and employers' associations*, and the Appendix of the *Special evidence on productivity bargaining submitted to the Royal Commission by the Dunlop Rubber Company Ltd.* (Appendix 3). These calculations can be criticised on a number of counts but they are still useful as examples of two different approaches to the problem of evaluation.

A good example of the difficulty in calculating the effect of a change in labour practices is the 1960 agreement between the Post Office Engineering Union and the Post Office on the curtailment of routine maintenance in automatic exchanges. Careful calculations were made

by both parties of the probable savings in labour costs. Finally it was agreed that an increase equivalent to about 3 per cent to the technical officers' rate was justified by the estimated savings in the direct labour costs. Because the new procedure worked well with the full co-operation of the working force and the union, it eventually transpired that, "the savings in manpower arising from the introduction of the scheme (in total about 25 per cent of the direct labour costs formerly required for equipment maintenance) are being achieved without any deterioration in the standard of service to the customer; in fact in many cases the service is significantly better"<sup>7</sup>.

A genuine agreement must detail the intended changes and provide means for control and implementation, but its success in developing more efficient labour practices ultimately depends upon the management. One of the lessons learnt by the organisations who have completed productivity bargains is that the degree of success of the bargain is directly related to the thoroughness of the preceding managerial reorganisation as "many more of the deficiencies in a work situation result from managerial shortcomings than from those of the men"<sup>8</sup>.

If management has thoroughly prepared itself for the new situation and has the full support of the work force so that it is possible "to make a 'break through' in the restrictive situation previously accepted as inevitable"<sup>9</sup> then the benefits can be immense. On the other hand an agreement which on the surface appears to provide for a reduction in labour costs might, due to inept handling by management, have no effect whatsoever.

A possible solution, to this, is to negotiate increases which are based upon the estimated decrease in labour costs which are, at the same time sufficient to provide the necessary incentive for men to change their working practices. This could be followed by an arrangement rather similar to that found in the Kaiser Steel Union sharing plan which ensures that the labour force shares any further



cost reductions brought about through increased efficiency<sup>10</sup>.

footnotes

- 1. *Minutes of evidence to the Royal Commission on Trade Unions and Employers' Associations*, 23 November 1965, para 1143.
- 2. Norman Ross, *Workshop bargaining: a new approach*, Fabian Tract 366, 1966.
- 3. *Confederation of British Industry evidence to the Royal Commission on Trade Unions and Employers' Associations*, November 1965, para 91.
- 4. *Confederations of British Industry, evidence to the Royal Commission on Trade Unions and Employers' Associations*, para 112.
- 5. *Minutes of evidence to the Royal Commission on Trade Unions and Employers' Associations*, 23 November 1965, para 1144.
- 6. *Minutes of evidence to the Royal Commission on Trade Unions and Employers' Associations*, 7 December 1965, para 1496.
- 7. Rudeforth and Sanders, "The use of fault history records for the maintenance of telephone switching mechanisms," *Post Office Electrical Engineers Journal*, vol 58, part 1, April 1965.
- 8. F. E. Oldfield, *New look industrial relations*, p38, Mason Reed, Ltd.
- 9. A. Flanders, *How dangerous is productivity bargaining?*
- 10. "The Kaiser Steel Union sharing plan", *Studies in personal policy*, No. 187, National Industrial Conference Board, Inc., New York.



# 4. conclusion

Trade unionists realise that productivity agreements can have a dramatic effect upon the prosperity of individual companies, can create considerable managerial problems, and that they could also influence the general economic welfare of the country. But trade unionists have to primarily concern themselves with the effect of any agreement upon employees (as individuals and members of work groups) and union organisation. For this reason the final evaluation is limited to these areas.

In any evaluation it is necessary to balance what is gained with what is lost. Each trade union must do this for itself. Certain generalisations can, however, be made. One of the best ways in which British industry can increase its productivity rapidly enough to meet the wage demands of trade unionists and at the same time increase the competitiveness of our products is by the more efficient use of labour. In many instances labour can be used more efficiently without the employees losing very much. Where this is so, it is well worth selling a change of practice to the employers. It is particularly the case in instances where people are dissatisfied themselves with working in a situation where their talent is not fully utilised. In other cases it will be clear that at least certain groups of workers are going to suffer if productivity bargaining is concluded. One group might lose status because their skills (acquired over a long apprenticeship) are now performed by others, another group may be upset because differentials are disturbed, some may be redundant and shift working may be introduced. There are many possibilities. In this case a difficult choice has to be made. When making it we must differentiate between the very great disadvantages and the lesser ones.

The question of redundancy is one of paramount importance and we believe it to be basically wrong for the prosperity of some to be based on the unemployment of others. A productivity agreement which involves redundancy should be resisted unless it contains the most stringent conditions relating to retraining and

compensation for those declared redundant.

The majority of agreements have introduced or further developed the prevalence of shift working. Some of the systems involve weekend working. Many individuals dislike shift working, including one of the authors, and oppose it strongly. However, there is some evidence that the Continental rota shift system is very popular because of the greater leisure time it appears to give. This system works on a three block week, the blocks being Monday and Tuesday, Wednesday and Thursday, and Friday, Saturday and Sunday. Shift workers move forward one shift at the end of each block (having a break of 24 hours at the change from mornings to afternoons and from afternoons to nights.) At the end of 28 days they have worked 21 shifts and had 7 rest days, giving an average 42 hour week. Considerable amendment has to be made to this rota when the standard working week is reduced to one of 40 hours<sup>1</sup>. The more efficient organisation of work which is an essential part of such agreements requires strict control by management of work processes and less time spent in "off the job" either because of tea breaks, washing time or simply inefficiently organised work. Such control is sometimes resented.

Redundancy, shift working, loss of job control, are all to a greater or lesser extent disadvantageous to trade unionists. In addition, some men have suffered a loss of job status because they no longer have mates, for instance, craftsmen and drivers. Also certain craftsmen resent what they regard as the task of "five year men" being performed by retrained process operators and semi-skilled maintenance workers. Some agreements, however, have as their avowed purposes the aim that skilled personnel should spend a greater proportion of their time on skilled work than the semi-skilled part of the job, such as routine maintenance, which is undertaken by lower grades. What position a trade union takes up on this will depend to a very great extent upon the composition of its membership.



Craft unions will find that this creates difficulties; the general unions on the other hand must welcome the breakdown of the old monopolies. The general unions have long rightly resented the social rigidities in the work force which apprenticeship has created. Indeed, we think for many trade unionists the breakdown of the principal of such divisions will bring, in fact, greater job status.

The majority of employees (and their wives) will at first evaluate productivity agreements in terms of pounds, shillings and pence. It is quite clear that in all but a few cases the employees involved have greatly increased their basic wage rates, and the majority also appear to have increased their take home earnings. However, a minority have suffered a decline in their earnings because of the dramatic reduction in overtime and the re-organisation of the pay structure. But it is possible that a slight decline in the earnings could be tolerated as productivity agreements result in more secure earnings which, in their turn, provide the basis of compensation claims, sick pay, holiday pay, house mortgages and hire purchase. In any case we do not think productivity bargaining should be held up because a small minority may lose very high overtime earnings relative to similar workers. The present distribution of overtime earnings is often very unfair and should not be perpetuated.

The next most obvious effect upon individuals is with regard to the hours spent at work. Here the results have been dramatic and in many cases the average working week has been reduced from 50 to 41 hours—a reduction of approximately 20 per cent. The whole pattern of social behaviour has been altered and the encouraging feature is that there is evidence that once men have broken the habit of excessively long hours and their take home earnings have not decreased, there is considerable reticence on their part to undertake overtime work.

The importance of work groups in industry has long been accepted and stressed by industrial sociologists and in-

dustrial relations experts. It is interesting to see that a recent Ministry of Labour publication gives a succinct account of the importance of these groups and their effect upon labour productivity: "The provision of financial incentives for the individual worker cannot on its own make people work with maximum efficiency. It leaves out of account the influence that work groups exercise. Nor can joint consultation, as its advocates sometimes thought in the past, enable a single common purpose to be established; it may help greatly to improve efficiency in the right conditions, but it cannot change the fact that the interest of management and workers do not wholly coincide"<sup>2</sup>.

It is often the case that productivity bargains alter the shape and composition of, or even completely destroy, the established work groups. Two Post Office agreements have reduced the size of some telephone installation parties from five to one man. At first such change is usually opposed, but when the new work groups have established themselves then many of their objections disappear. Also it seems to be clear that productivity bargains at the plant level certainly give work groups an increased importance during the consultation and negotiation phases, and in the implementation period, with regard to their own union organisation and management.

Work groups are at the heart of the problem in determining the results of productivity bargains and it is difficult to over stress their importance as it is here the necessary "cultural change" has to take place. Unless work groups and their representatives are consulted then national productivity bargains will never be as far reaching as the plant bargains. It should also be stressed that it is equally unwise and shortsighted to attempt to negotiate an agreement directly with the employees concerned without consulting and involving the full time officers of the trade unions. It is to the great credit of the British Oxygen management and the officials of the unions concerned that this was successfully done in their recent agreements.



The negotiation of productivity bargains can create serious internal strains between the full time officers, the shop stewards and the membership, and between different groups of members. In some cases the members involved may wish to proceed further than the full time officers, who are conscious of possible national implications may wish to go. In other instances the local full time officer and his committee may be convinced of the great benefits to be derived from the bargain but meet considerable resistance from certain work groups. A consensus of opinion has to be achieved and this is not easy with agreements which can have very different results at the various organisational levels of a union. It is easy for internal conflicts to arise between the comparatively homogeneous working groups and the official organisation which is representative of a wide variety of differing interest groups. For all unions, productivity agreements which alter differentials produce difficulty. One group of members (relatively highly paid) may feel resentful if those with less skill come to earn as much or almost as much as they do themselves. This can occur where a productivity agreement does not cover all the workers in an organisation simultaneously. The real answer to this problem seems to lie in satisfying more groups at the same time. Where this is not possible, we think the trade unionists ought to get as much for each group as possible and resist pressures from the most highly paid against this.

The prime purpose of a trade union is to maximise the economic and social well being of its members and whether productivity agreements are initiated by management, trade union, or government bodies, it is the job of the union negotiating officers to obtain the greatest benefits justified by the changes in working practices. Productivity agreements can be a very successful method of doing this while directly contributing to the prosperity of the industry or firm involved, and indirectly benefiting the rest of the community through helping to stabilise or reduce prices. It would be wrong to think of productivity bargain-

ing as a panacea for all our industrial relations and economic ills but the widespread development of genuine agreements must contribute to the solving of these problems. Trade unions should welcome the opportunities presented by this development to secure higher guaranteed weekly basic pay, higher pensions, higher sick pay, higher holiday pay and increased leisure.

Although we would not disagree that: "A lead has to be given on the terms on which overtime can be bought out; on the proportion of increased productivity which can go in payment to the workers directly concerned; or the other workers who can reasonably expect to benefit; and on how much they should get and who should pay for it"<sup>3</sup>, our study has convinced us that too rigid a formula or set of criteria must be avoided as different approaches in negotiating and assessing productivity bargains are required to meet an almost infinite variety of economic, technological and industrial relations situations.

## footnotes

1. Department of Industrial Relations, University College, Cardiff, *Swiftly rotating shifts—"the Continental"*, June 1966.
2. *Attitudes to efficiency in industries*, para 12, Ministry of Labour 1966.
3. H. A. Clegg and Allan Flanders, *Productivity bargaining and the unions*, January 1965 (unpublished).



# appendix 1. major agreements and related developments since 1960

## food, drink and tobacco

### Industrial Order III.

#### *Grain milling. MLH 211.*

Rank, Hovis and McDougall, 1965, agreement on greater intensity of work, work flexibility and reductions in overtime.

#### *Bread and flour confectionery. MLH 212*

1965-1966, two NBPI reports on bread prices and bakery wages recommending improved manpower utilisation and reductions in overtime.

#### *Sugar. MLH 216.*

Tate and Lyle, 1966, proposals for three shift continuous working and redeployment of labour.

## chemicals and allied industries

### Industrial Order IV.

#### *Mineral oil refinery. MLH 262.*

Esso, Fawley refinery, 1960-1962, craft mobility, craft/process worker flexibility, consolidation of grades, reduction in overtime, abolition of mates and labour redeployment.

Esso, Milford Haven refinery, 1965, integration of craft and process work operations.

Mobil Oil, Coryton refinery, 1965, elimination of overtime, craft flexibility and craft tasks performed by non-craftsmen.

Shell, Ardrossan, Shell Haven and Stanlow refineries, 1964-1965, process and craft/process work flexibility, reductions in craft demarcation, examination of use of craftsmen's mates and redundancy compensated for by severance pay and early pensions.

BP, Isle of Grain refinery, 1966, agreement with craftsmen, ancillary work done by craftsmen, craft flexibility, reductions in overtime, and elimination and redeployment of mates and chargehands.

#### *Chemicals and dyes. MLH 271.*

Petrochemicals Ltd. (Shell Chemicals), 1963-1965, reduction of labour force by voluntary severance, elimination of craft demarcation, job interchangeability and reduction in length of craft apprenticeships from 5 to 4 years.

British Hydrocarbon Chemicals Ltd., 1963, reduction of mates, rationalisation of process labour.

British Oxygen Co., 1966, covering all plants, negotiations completed and agreements fully implemented in all 55 plants of Gases Division, whereby overtime was reduced, working practices revised and new wages structure applied.

Imperial Chemical Industries, 1965, reductions in craft and process/craft demarcation and continued acceptance of work measurement and method study. Extensive local discussions still proceeding.

## metal manufacture

### Industrial Order V.

#### *Iron and Steel (General). MLH 311.*

Richard Thomas and Baldwin, Spencer works, 1964, reduction in mates, some inter-craft flexibility, abolition of special payments, mobility of labour.

Steel Company of Wales, 1964-66, agreement with craft unions, craft flexibility and mobility and reduction in the number of mates. More negotiation on labour force reductions is planned.

#### *Steel Tubes. MLH 312.*

Stanton and Staveley (a Stewarts and Lloyds subsidiary), 1966, maintenance workers' agreement on work flexibility.

#### *Light Metals. MLH 321.*

Alcan, 1964-1965, reduction in manning, reduction of number of men on shifts, reduction of mates, abolition of chargehands, reduction of overtime, some craft process flexibility, revision of some work rules, consolidation of rates.



## shipbuilding and marine engineering

Industrial Order VII.

*Shipbuilding and marine engineering. MLH 370.*

John Brown shipyard, 1965, platers and shipwrights, agreement on interchangeability of work. Also agreement with joiners on reduction in gang sizes and work flexibility.

Flemming and Ferguson shipyard, 1965, demarcation relation between boilermakers and shipwrights.

Shipyards on the lower reaches of the Clyde, 1965, broad agreement on craft flexibility among the various boilermaker trades.

Vickers shipyards, Barrow and Walker on Tyne, 1965-1966, craft flexibility between coppersmiths and plumbers and platers and shipwrights. Current negotiations on craft flexibility between boilermaker trades, but no agreement reached as yet.

Fairfield's, 1965-1966, shipyard takeover of firm by Government, industry and trade union consortium, agreements on work transfers and grievance and demarcation disputes procedure.

Geddes report on shipbuilding, 1966, recommends a reorganisation of the industry into four main groups, approves of productivity bargains and urges the establishment of new negotiating machinery taking account of the need for improved manpower utilisation. Sectional joint discussions on craft flexibility proceeding on North East coast before the report; general joint talks on the report following its publication.

Upper Clyde shipyards (John Brown & Co., Alexander Stephen & Sons, Yarrow & Co., Barclay Curle, Scott & Sons (Bowling), Charles Connel & Co.), 1966, flexibility of labour within the five sections of the Boilermakers' Amalgamation.

## textiles

Industrial Order X.

*Woollen and worsted. MLH 414.*

Woolcombing, 1966, more efficient working methods, higher rates, decrease in labour requirements of up to 35 per cent, no redundancy.

## paper, printing and publishing

Industrial Order XV.

*Printing. MLH 386.*

Establishment of joint boards for improved labour efficiency covering London and Provincial newspapers and general printing, 1964-1965.

International Publishing Corporation, 1965, Southwark Offset agreement on smaller manning scales, labour flexibility and departmental pooling of labour. 1965-1966 IPC, NGA and SOGAT dispute on web offset manning scales referred to Ministry of Labour Court of Inquiry. IPC proceeding with productivity bargains in other plants.

NBPI report on printing wages, 1965, recommends improved labour efficiency.

*Evening News and Evening Standard*, 1966, more efficient working by packers and drivers.

*Paper. MLH 481*

Bowater paper group, 1966, agreement on round the clock and round the week four shift systems.

## construction

Industrial Order XVII.

*Electrical contracting. MLH 500*

Manual workers agreement, 1966, the elimination of mates, new grading structure, establishment of a National Joint Industrial Board to improve skills and proficiency, increase productivity by improved methods of work, improve welfare of employees, increase profitability



of industry, measure output to ensure increased productivity and make corresponding benefits to employees, regulate and control overtime and eliminate unauthorised stoppages of work.

### *Heating and ventilating*

1965, flexibility in balance of work groups, introduction of mechanical aids, training for chargehands, lower craftsmen apprenticeship ratio, reductions in overtime, eradication of absenteeism and restraint on time allowance for tea breaks.

## **gas electricity and water**

### *Industrial Order XVIII*

#### *Electricity. MLH 602*

Manual workers staff status agreement, 1964-1965, employee productivity co-operation, reductions in overtime, shift-work, round the week and round the year staggered working hours and inter-station mobility for maintenance workers.

## **transport and communications**

### *Industrial Order XIX.*

#### *Railways. MLH 701.*

1965, agreement reached with engine drivers on round the clock single manning, with certain exceptions, following publication of Scamp report.

NBPI report on railway pay, 1966, recommends negotiations on improved manpower utilisation and efficiency on railways. Following threatened national strike, a tripartite committee with an independent chairman to inquire into railway pay, productivity and consultative procedures was established by the Government.

#### *Road passenger transport. MLH 702*

London busmen, general agreement on the introduction and extensive use of one man, standee and larger buses. Implementation on an experimental basis and further negotiations following the Phelps

Brown report which was published in 1964.

Municipal busmen, 1965, agreement on manning of one man, standee and larger buses.

Provincial busmen, 1966, agreement on one man buses and other productivity concessions.

NBPI report on busmen's pay, 1966, recommending further productivity concessions by London, municipal and provincial busmen.

#### *Road Haulage. MLH 703*

Two NBPI reports on road haulage, 1965-1966, emphasising the need for improved labour efficiency and productivity bargaining.

#### *Port and inland water transport. MLH 705.*

The Devlin Committee report, 1965, proposals for labour decasualisation and improved efficiency. National Joint Modernisation Committee with Government appointed independent members set up to conduct negotiations which are still proceeding.

#### *Airlines. MLH 706.*

BOAC, 1964, agreement with engineering unions, work measurement, labour flexibility and increased shift work, agreement with pilots, increased utilisation of flying time.

BEA, 1964, agreements with maintenance employees covering aircraft and motor transport and property work similar to BOAC maintenance agreement.

BEA, 1965, agreements covering supervisory and inspecting staff, loaders, drivers and porters, improved efficiency and craft flexibility.

#### *General Post Office. MLH 707*

Post Office Engineering Union, 1965, introduction of supervisor who uses tools, partial elimination of joiner's mates, increased work utilisation of skilled employees, reduction in pole erection gang sizes and craft flexibility.



## distributive trades

### Industrial Order XX.

*Wholesale Distribution, MLH 810, section 2, other food.*

Smithfield Market, more efficient utilisation of labour, 10 per cent cut in labour force.

### *section 6, petroleum products*

Esso, 1966, national distribution agreement, reduction in overtime and flexible, faster and round the clock driving schedules.

Shell Mex and B.P., Stevinson Hardy, Curran Oils, and Petrofina, 1966, similar distribution agreement to Esso.

Continental Oil (UK), 1966, similar distribution agreement to Esso.

Mobil Oil, national distribution agreement, reduction in overtime, elimination of paid overtime, outside "planned" hours, more efficient working practices.

Scottish and Newcastle Breweries, 1966, beer drivers, faster speeds and increased weekly journeys. The Scottish Commercial Motormen's Union is pressing for similar agreements with other Scottish road haulage firms.

## miscellaneous services

### Industrial Order XXIII.

*Motor repairers, distributors, garages and filling stations. MLH 887.*

Metropolitan Police garages, more efficient working practices resulting in reductions in overtime



# appendix 2. extracts from agreements

The extracts from agreements given below are, for convenience, arranged under the same sub-headings as used in chapter 2.

## overtime reduction

"In addition to the annual salary for his post an employee shall be paid 'incidental overtime' allowance as follows:

Groups A, B, C	£25 p.a.
Groups D, E, F	£30 p.a.
Groups G, H	£35 p.a.

Short period overtime, the need for which arises during the course of the day or shift, amounting to not more than thirty minutes in any day or shift, and totalling not more than one hour in any week shall be treated as 'incidental overtime' and shall not rank for overtime pay. This definition shall apply equally to any day or shift and for any work patters." (*Agreement reached by the National Joint Industrial Council and the Electricity supply industry, Stage II, January 1965.*)

"Every effort will be made to minimise the need for working extra hours. There are however some circumstances in which this is inevitable. The unions therefore fully accept the need to keep the job adequately covered, and will co-operate in ensuring that this is done. During the first six months employees will be expected to work, if necessary, up to 16 hours per quarter without further compensation. In the event that any employee has to work more than this amount, equivalent time off will be given. After 6 months, equivalent time off will be given for all additional hours worked above the basic week of 40 hours." (*Productivity agreement between the Mobil Oil Company Ltd. Coryton refinery and the Joint Craft Unions, January 1965.*)

"The basic principle upon which the productivity scheme is based and which is accepted by both parties, is that work can be speeded up without involving dangerous practices to an extent which will permit the work load currently oc-

cupying an average of 55 hours a week per employee to be done in a 40 hour week, exclusive of meal breaks and rest periods." (*Preamble to agreement between the Transport and General Workers Union and Continental Oil (UK) Ltd, June 1966.*)

"8. *Re-organisation of the permanent M. & C shift force.* It is recognised that if overtime is to be reduced to an average of 2 per cent the permanent shift force must be employed on important refinery wide maintenance and construction jobs, and not mainly on minor maintenance work as has been the case to date. To achieve this objective it is necessary to create a mobile, versatile and well equipped group." (*Fawley, Craft agreement.*)

## revision of working hours

*Staggered day working provisions:* The seven day stagger pattern will require an employee to work his normal day work hours in five days spread over seven days of the week on an agreed rota. The six day stagger pattern will require an employee to work his normal day work hours in five days spread over the six days Monday to Saturday on an agreed rota. (*Electricity supply agreement, stage II.*)

*Staggered hours working provisions:* Staggered hours working is a work pattern under which an employee may be required during his agreed rota week to work his standard 42 hours in any four or five days of the week including Saturday and Sunday, at times and on days to suit the requirements of the Board, provided that the prescribed hours for any day shall be worked without break (other than meal breaks) within the period 6 a.m. to 8 p.m. (*Electricity supply agreement, stage II.*)

## underemployment of labour

"The annual salaries agreed for operation with effect from 1 July 1964, incorporate payments for employee co-operation with management to improve job



efficiency and service to the consumer by:

1. The elimination of overtime wherever possible;
2. the best possible utilisation of the number of men and of man hours to complete any particular job;
3. the acceptance of practices which improve individual and collective efficiency.

Subject to the qualification (a) that semi-skilled and unskilled grades shall not be temporarily upgraded to craft duties and (b) that the principle of 'the rate for the job' shall at all times be observed, it is not intended that any restriction be placed on the form or the extent of this co-operation between employees and management." (*Electricity supply agreement*, Stage I, 1 July 1964.)

*Craft/operator flexibility.* "At present there are jobs performed by craftsmen which the company consider would be more effectively done by operators if they had the freedom to do them. While it is recognised that the primary job of an operator is to help achieve optimum operating efficiency from the plant on which he works, it has been agreed that the overall effectiveness of both operating and maintenance will be improved as a result of the acceptance of the following flexibilities." In the agreement this is followed by a list of specific relaxations such as "Adjust pump glands except on propane reciprocating pumps. Equalising flowmeters. 30 principle flowmeters can be equalised by stillmen only in these conditions: Outside normal maintenance working hours; with operating supervisor's recorded consent; adjustments and use of tools not permitted." (*Mobil Oil, Coryton refinery agreement*, p7.)

*"Integration of work functions:* The operating and maintenance functions will be integrated in the following ways:

1. By transferring craftsmen on to shift working at the jetty under the appropriate Esso jetty supervision to perform

the complete operating function after training. In addition, they will continue to exercise the full range of their craft skills. Eight craftsmen will be needed initially, although this may be increased or decreased later. Two further craftsmen will also be trained in order to provide shift cover.

2. By transferring craftsmen on to shift work in the boiler plant under the appropriate operating supervision, to perform the complete operating function after training. In addition, they will continue to exercise the full range of their craft skills. Approximately four craftsmen will be needed initially, although this may be increased or decreased later. Two further craftsmen will also be trained in order to provide shift cover.

3. By using craftsmen to perform 'day' operating functions after training, as and when cover or supplementation is required for day operations, simultaneously using their craft skills in relation to day operations.

4. By training craftsmen to enable them to remove and recommission such operating equipment as they require to work on, thus eliminating non-productive time spent in awaiting the availability of an operator to release such equipment."

(*Esso, Milford Haven and AEU and T & GWU*, 30th July, 1965, appendix AI.)

"The traditional concept of a jointer and mate (technician IIA and technician IIB) working together permanently irrespective of the nature of the work in hand, will no longer be the basic pattern of organisation. It has been established that for much of the work, e.g. work in surface joint boxes, a jointer can work independently without assistance and it has been agreed that in future, subject to the observance of the safety regulations, jointers should work individually, or in pairs, or in larger groups as required. The grading of the technicians II will, therefore, be determined on the general pattern of the work; for example, where work requiring two men, such as in man-holes or for some cabling on walls, is



sporadic, assistance will usually be provided by bringing together temporarily two qualified jointers to form a pair, but where there is sufficient work of this type to justify the need for continuous assistance it will be necessary to provide for the employment of technicians IIB. For the time being, jointers working individually will need assistance from other men working nearby for certain operations, but it is expected that with the development of improved equipment, such as footway box cover lifting devices and a tent which one man could erect, jointers should be able to work fully independently. For reasons of safety, staff should not be required to work alone in manholes or other deep jointing chambers." (*Post Office Engineering Union/Post Office senior technicians agreement*, January 1965.)

"It is agreed that in order that the company can plan productivity on a realistic basis and so that the driver or plant operator will be aware that his work is based on full knowledge of the requirements, work study techniques will be used in plants and workshops and during loading and off loading operations for the purpose of establishing the proper standards applicable to each type of activity. Furthermore, the introduction from time to time of new equipment, facilities, or methods of working will call for measurement and the revision of such standards. All matters regarding performance standards will be for local discussion and agreement in Joint Consultative Committees aided by work study analysts who will check any standards in dispute in the presence of the employees' representatives if they so desire. Once standards have thus been checked it is agreed that the work study determinations will be accepted by Joint Consultative Committees." (*Esso Petroleum distribution agreement*, January 1966, clause 14.)

## revision of wages structure

"The proposal is to discontinue the present complex pay structure which has grown up over the years and to replace

this with a weekly pay scale. The following items will be consolidated: basic rate, time worker's bonus, special bonus, group incentive bonus (minimum and balance), personal differentials, proficiency pay, shift premium (in part), special conditions allowance, and supplementary pay, holding payment. The following items will be continued: overtime, service increments, livestock money, call money, licence pay, shift pay (portion not absorbed into weekly rate), tank pay." (*BOAC agreement*).



# appendix 3. the Dunlop and Esso agreements

Details of calculations regarding the possible results of productivity agreements presented to the Royal Commission on Trade Unions and Employers Associations by the Dunlop Rubber Co. Ltd. and the Esso Petroleum Co. Ltd. are given below. Their inclusion should not be interpreted as indicating the authors' acceptance of either the methods used or the conclusions reached.

## Dunlop

This illustration has been deliberately simplified and no allowance has been included for Government capital grants, writing off old equipment, increased wage levels or general inflation, and the use of sophisticated techniques, such as discounted cash flow, has been avoided, as they do not materially affect it.

ORIGINAL SITUATION	
employees in factory	1,000
employees in department	100
average cost of each operative employee per annum (wages plus fringe costs)	£1,500
capital expenditure on new machine	£100,000
SAVING FLOWING FROM NEW EQUIPMENT	
release of say 10 employees for other work (at £1,500 p.a.)	£15,000
lower wastage of material from more accurate machining	£10,000
total gross saving	£25,000
DEDUCTIONS FROM GROSS SAVINGS	
depreciation on the new equipment to ensure replacement when worn out, say 10% on £100,000 (assuming a 10 year life)	£10,000
cost of providing funds to finance equipment, say 15% on £50,000 (average funds required)†	£7,500
the new machine requires additional maintenance, power, etc.	£5,000
total deductions	£22,500
net saving (subject to taxation) at current price levels	£2,500

† Currently, Equity sells at a price earn-

ing ratio of 12.5 and therefore the cost of raising money is 8% after Corporation Tax (40%) making 13½% before tax the absolute minimum. For the purposes of the exercise a rate of 15% seems reasonable.

## Esso

This hypothetical example shows the effects of a productivity deal on labour and equipment costs, in the case of an organisation which employs men to operate units of equipment costing £10,000 each. In addition to the direct operators there is a lesser number of service or indirect operators.

All the main items of cost are taken into account, but greater savings might accrue from the deal if the units of equipment carried fixed charges (e.g. licences, insurance). Associated investment and operating expense in service facilities would also be reduced by more effective operation and a reduced number of units in service; in some cases this could be as great as the savings on the main operation, particularly where an improved atmosphere allowed the ready introduction of automated procedures.

On the main equipment and on the service equipment the increase in efficiency will reduce the future investment required.

ORIGINAL CONDITIONS	
basic wage per week	£14
basic hours per week	42
overtime at time and a half	30%
units double shifted	10%
shift pay as % of basic	20%
benefits as % of basic	14%
units operated	500
men employed	1,000
performance index	70

Notes. With 500 units, and 10% double shifted, there will be 550 men operating them: thus 450 men on indirect work. Performance index is an assessment of the effectiveness of operation; any productivity deal must include agreement to raise this level, and control to ensure this must be established.



## COST OF OPERATION BEFORE AND AFTER THE DEAL

	before deal	£000	after deal	£000
basic pay	14x1000x52:	728	20x815x52:	848
overtime	14x1000x52x 30 x3: 100 2	328	20x815x52x 5 x3: 100 2	64
shift pay	14x50x52x 20 x130: 100 100	9	20x500x52x 20 x105: 100 100	109
total pay		1,065		1,021
benefits	728,000x 14 : 100	102	848x 14 : 100	119
capital charge	500x10,600x 7 : 100	350	312x10,000x 7 : 100	218
depreciation	500x10,000x 10 : 100	500	312x10,000x 10 : 100	312
total cost		£2,017		£1,670
av. earnings p.a.	$\frac{1,065,000}{1,000}$	£1,065	$\frac{1,021,000}{812}$	£1,255

## CONDITIONS ON COMPLETION OF NEW DEAL

basic wage per week	£20
basic hours per week	40
overtime at time and a half	5%
units double shifted	60%
shift pay as % of basic	20%
benefits as % of basic	14%
performance index	100

Given these conditions, the men and units required can be worked out. The hours originally worked were:

first shift, 500 x 42+30%	27,300
second shift 50 x 42+30%	2,730
total	30,030

This was at 70 performance. At 100 performance the hours required per week will be

$30,030 \times \frac{70}{100}$	21,021
--------------------------------	--------

Each new shift week will be 40 hours

## SUMMARY OF THE OPERATION

	before deal	after deal	change %
men	1,000	815	-18.5
units	500	312	-37.6
wages cost a year	£1,065,000	£1,021,000	-17.2
average hours worked a week	54.5	42	-23.0
average earnings a year	£1,065	£1,225	+17.8
capital committed in units	£5,000,000	£3,120,000	-37.6

+5% overtime, that is 42 hours. Therefore, the number of shifts required will be

$\frac{21,021}{42}$	500.5 say 500
---------------------	---------------

With 60 per cent of the units double shifted, the number of units required to provide 500 shifts in all will be

$500 \times \frac{100}{160}$	312
------------------------------	-----

Thus the requirement is 312 units, with 500 operators, all in turn working shifts. Originally there were 450 indirect operators. With the improvement in performance the number required will be

$450 \times \frac{70}{100}$	315
-----------------------------	-----

Total men employed is 500+315=815.

Costs. With the numbers before and after the deal known, the economics can be worked out. In this calculation the cost of providing capital to purchase equipment is taken at 7 per cent, and the depreciation rate at 10 per cent.



# bibliography

- R. F. Banks,  
"Long term agreements and package deals," *Industrial Welfare*, October 1965.
- A. Barry,  
"The new dealers," *Personnel magazine*, March 1966.
- J. Bugler,  
"Shop floor struggle for status," *New Society*, 25 November 1965.
- J. Bugler,  
"Along the road from Fawley," *New Society*, 7 April 1966
- D. Carpenter,  
"Productivity bargaining," *Statist*, 10 October 1966.
- CBI  
*Evidence to the Royal Commission on Trade Unions and Employers' Associations*, paras 73-89, 90-92, 112-115.  
HMSO, 1966.
- J. F. Eccles,  
"Pacesetting in industrial relations," *Electricity*, May-June 1965.
- R. Eglin,  
"The new productivity bargainers at Mobil Oil," *Business*, June 1965.
- Electricity Council,  
*Evidence to the Royal Commission on Trade Unions and employers' Associations*.  
HMSO, 1966.
- A. Flanders,  
*The Fawley productivity agreements: a case study of management and collective bargaining*.  
Faber, 1964.
- A. Flanders,  
"The Lessons of the Fawley agreements," *New Society*, 30 April and 6 May, 1964.
- A. Flanders,  
"How dangerous is productivity bargaining?" *British Industry*, 18 March 1966.
- A. Flanders,  
"The problem of consent for change: the Fawley refinery case," *Employment problems of automation and advanced technology* (J. Steiber, ed.)  
Macmillan, 1966.
- A. Flanders, N. Sloan and D. Taylor,  
"Productivity bargaining," *Steel Review*, July 1966.
- A. Fox,  
"Productivity bargaining," *New Society*, 22 September 1966.
- J. Gwynn,  
"Union-management bargaining," *Times Review of Industry and Technology*, August 1966.
- N. A. Harman,  
"Productivity the key to growth," *Esso Magazine*, Winter 1965/1966.
- N. A. Harman,  
"Big hand for the new deal," *Esso Magazine*, Spring 1966.
- L. C. Hunter,  
"Productivity agreements," *Scottish Journal of Political Economy*, November, 1964.
- A. S. Judson,  
*A manager's guide to making changes*.  
John Wiley & Son, 1966.
- R. B. McKersie,  
Productivity bargaining: deliverance or delusion?" *Personnel Management*, September, 1966.
- F. E. Oldfield,  
*New look industrial relations*.  
Mason Reed, 1966.
- Report of a Court of Inquiry into the causes and circumstances of a dispute between the parties represented on the National Joint Industrial Council for the Electricity Supply Industry*.  
HMSO, cmdn 2361, May 1964.
- R. D. V. Roberts,  
"Electricity industry staff status and productivity bargaining,"  
*Personal Magazine*, December 1965.
- Report of a Court of Inquiry into the issues arising in negotiations between the British Railways Board, the associated Society of Locomotive Engineers and Firemen, and the National Union of Railwaymen*.  
HMSO, cmdn 2779.
- A. J. Topham, "The implications of package deals in British collective bargaining," *International Socialist Journal*, September/December, 1965.
- TUC  
*Productivity agreements*, 1966.







# fabian society the authors

The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of Socialist opinion within its ranks—left, right and centre.

Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world.

Beyond this the Society has no collective policy. It puts forward no resolutions of a political character, but it is *not* an organisation of armchair socialists. Its members are active in their Labour Parties, Trade Unions and Co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets, and holds schools and conferences of many kinds. Local Societies—there are some 80 of them—are self governing and are lively centres of discussion and also undertake research.

Enquiries about membership should be sent to the General Secretary, Fabian Society, 11 Dartmouth Street, London, SW1; telephone Whitehall 3077.

Ken Jones is Research Officer of the Post Office Engineering Union and was formerly research associate in trade union studies in the Department of Industrial Relations at University College, Cardiff.

John Golding is an Assistant Secretary of the Post Office Engineering Union with special responsibility for educational and political matters within the Union.

The authors would like to thank those trade unions and employers involved in the agreements described for their willing co-operation as well as the other members of the Post Office Engineering Union research department, for assisting them in a variety of ways. The views expressed in the pamphlet are the authors' personal views and not those of the Post Office Engineering Union.

Cover design and typography by Geoffrey Cannon. Printed by The Walrus Press Ltd. (TV), 769 Harrow Road, Sudbury, Wembley, Middlesex.



# recent fabian pamphlets

## research series

180	Arthur Skeffington	Leasehold enfranchisement (revised)	3s 6d
233	Frederick Singleton		
	Anthony Topham	Workers' control in Yugoslavia	3s
235	Jack Cooper	Industrial relations: Sweden shows the way	3s
236	Laurie Pavitt	The health of the nation	3s 6d
237	Michael Armstrong		
	Michael Young	New look at comprehensive schools	2s
243	Cedric Thornberry	The stranger at the gate	2s 6d
245	Sidney Pollard	The Co-operatives at the crossroads	4s
247	a Fabian group	A plan for incomes	3s 6d
248	Richard Pryke	Why steel	3s
249	John Darker	Long distance road haulage	2s 6d
250	a Fabian group	The unprotected protectorates	2s 6d
251	Peter Odell	Oil: the new commanding height	2s 6d
252	Peter Mittler	The mental health services	3s
253	Keith Openshaw	The remoter rural areas	2s 6d
254	Michael Posner		
	and Richard Pryke	New public enterprise	3s
255	Jebs	Personal taxation	2s 6d
256	Elizabeth Allsopp		
	and David Grugeon	Direct grant grammar schools	2s 6d

## tracts

62	Michael Pease	Parish and district councils (revised)	1s 6d
321	Audrey Harvey	Casualties of the welfare state	2s 6d
346	Thomas Balogh	Planning for progress	4s 6d
349	Lisl Klein	The meaning of work	2s
353	Brian Abel-Smith	Freedom in the Welfare State	1s 6d
355	a Fabian group	The administrators	4s
356	a Fabian group	New patterns for primary schools	2s 6d
359	Somerville Hastings		
	and Peggy Jay	The family and the social services	1s 6d
361	L. J. Sharpe	Why local democracy	3s 6d
362	Jeremy Bray	The new economy	4s
363	K. W. Wedderburn	Company law reform	2s 6d
364	David Downes		
	and Fred Flower	Educating for uncertainty	2s 6d
365	a Fabian group	Britain and South-East Asia	2s 6d
366	Norman Ross	Workshop bargaining: a new approach	3s 6d
367	Roderick McFarquhar	Chinese ambitions and British policy	1s 6d
368	George Cunningham	Rhodesia: the last chance	3s 6d

## young fabian pamphlets

7	Howard Glennerster		
	and Richard Pryke	The public schools	3s 6d
9	a study group	General practice	3s
10	a study group	Strangers within	3s 6d
11	a study group	Womanpower	3s
12	Ralph Oppenheimer		
	and Harold Lind	Whatever will happen to the National Plan?	3s
13	James Goudie	House agents	2s
14	a study group	The youth employment service	3s 6d